



LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

**DIRECTORS' REPORT ON OPERATIONS
OF THE LUBELSKI WĘGIEL BOGDANKA GROUP**

**for the Third Quarter of 2015
ended on 30 September 2015**

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1. BASIC INFORMATION ON THE LUBELSKI WĘGIEL BOGDANKA GROUP

1.1 Structure of the Lubelski Węgiel BOGDANKA Group

As at 29 October 2015, the Lubelski Węgiel BOGDANKA Group (hereinafter referred to as the "Group", or "LW BOGDANKA Group") consists of Lubelski Węgiel BOGDANKA S.A. as the Parent (hereinafter referred to as "LW BOGDANKA S.A.", the "Company", "Lubelski Węgiel BOGDANKA S.A.", "LW BOGDANKA", the "Parent"), Łęczyńska Energetyka Sp. z o.o. (hereinafter referred to as "Łęczyńska Energetyka"), EkoTRANS Bogdanka Sp. z o.o. (hereinafter referred to as "EkoTRANS"), RG BOGDANKA Sp. z o.o. (hereinafter referred to as "RG Bogdanka") and MR Bogdanka Sp. z o.o. (hereinafter referred to as "MR Bogdanka") as the Subsidiaries.

As at the date of submitting this Report, i.e. 29 October 2015, LW BOGDANKA also held 22.41% of shares in Kolejowe Zakłady Maszyn KOLZAM S.A., the company in bankruptcy, with a share capital of PLN 750,000. The ownership title to the shares was transferred to the Company as security for settlements for performing transportation services. That company has not been included in the consolidation.

Information on the entities of the LW BOGDANKA Group covered by consolidation

The Subsidiaries: Łęczyńska Energetyka, EkoTRANS Bogdanka, RG Bogdanka and MR Bogdanka were included in the Consolidated Quarterly Report of the LW BOGDANKA Group for the third quarter of 2015, by the full consolidation method.

Information about the Parent of the LW BOGDANKA Group as at the date of submitting the quarterly report

Lubelski Węgiel BOGDANKA Spółka Akcyjna

Address:	Bogdanka, 21-013 Puchaczów, Lublin Province
Tel.:	+48 81 462 51 00, +48 81 462 51 01
Fax:	+48 81 462 51 91
Website:	www.lw.com.pl , www.ri.lw.com.pl
E-mail:	bogdanka@lw.com.pl
Industry Identification Number (REGON):	430309210
Tax Reg. No. (NIP):	713-000-57-84

Business activities

The scope of the Parent's main business activity includes mining activities related to economic mining of hard coal and enriching excavated raw coal, sale of coal to consumers, and the protection and reclamation of mining areas.

According to the Articles of Association of LW BOGDANKA, the business activities of the enterprise are:

- a) agriculture, forestry, hunting and fishery (Section A);
- b) mining and production (Section B);
- c) industrial processing (Section C);
- d) production and supply of electricity, gas, steam, hot water and air for air-conditioning installations (Section D);
- e) water supply; liquid and solid waste management; activities related to reclamation (Section E);
- f) construction (Section F);
- g) wholesale, retail sale and repair of motor vehicles, including motorcycles (Section G);
- h) transport and warehouse management (Section H);
- i) activities related to lodging and catering (Section I);

- j) information and communications (Section J);
- k) finance and insurance (Section K);
- l) real estate activities (Section L);
- m) professional, scientific and technical activities (Section M);
- n) administration and support activities (Section N);
- o) education (Section P).

Supplementary activities

LW BOGDANKA's supplementary activity is the sales of building materials, mainly in the form of ceramic façade bricks that are manufactured within the frameworks of utilising Carboniferous rock waste stone in the EKOKLINKIER Construction Ceramics Plant.

Information about Subsidiaries

Subsidiaries:

A) Łęczyńska Energetyka sp. z o.o.

Address: Bogdanka, 21-013 Puchaczów, Lublin Province
Tel. +48 81 443 11 02, +48 81 462 55 53
Fax: +48 81 443 11 01
Website: www.lebog.com.pl
E-mail: biuro@lebog.com.pl
Industry Identification Number (REGON): 004164490
Tax Reg. No. (NIP): 713-020-71-92

Share capital amounts to PLN 82,677,000 divided into 82,677 shares of PLN 1,000.

Shareholding structure:

- 88.697% LW BOGDANKA
- 11.297% Łęczna Municipality
- 0.006% Puchaczów Commune.

The business activities of Łęczyńska Energetyka Sp. z o.o. are: producing heat energy, refurbishing, maintaining and assembling of power production equipment, producing drinking and industrial water. The company also conducts activities involving the construction and refurbishment of heat-generating, water supply and sewage disposal installations.

Łęczyńska Energetyka Sp. z o.o. provides services to the mine involving supplying heat energy and conducts water/wastewater management. Moreover, the company provides heat energy to third parties such as residential estates and other facilities located in Łęczna.

B) EkoTRANS BOGDANKA Sp. z o.o.

Address: Bogdanka, 21-013 Puchaczów,
Tel.: +48 81 462 52 15
Fax: +48 81 462 52 15
Website: www.ekotrans-bogdanka.pl
E-mail: biuro@ekotrans-bogdanka.pl
Industry Identification Number (REGON): 061551847

Tax Reg. No. (NIP): 505-012-39-60

Share capital amounts to PLN 100,000 divided into 100 shares of PLN 1,000.

Shareholding structure: 100% LW BOGDANKA.

EkoTRANS Bogdanka provides services to the mine with respect to transport, as well as disposal and management of spoil arising during coal- associated shale cleaning and washing.

C) RG BOGDANKA Sp. z o.o.

Address: Bogdanka, 21-013 Puchaczów,

Tel.: +48 81 462 50 86

Fax: -

Website: www.rgbogdanka.pl

E-mail: poczta@rgbogdanka.pl

Industry Identification Number (REGON): 243255890

Tax Reg. No. (NIP): 627-273-54-05

Share capital of RB BOGDANKA Sp. z o.o. amounts to PLN 500,000 divided into 10,000 shares of PLN 50.

Shareholding structure: 100% LW BOGDANKA.

The business activity of the company consists in providing services, deliveries and construction works to LW BOGDANKA.

D) MR BOGDANKA Sp. z o.o.

Address: Bogdanka, 21-013 Puchaczów,

Tel.: +48 81 462 53 34

Fax: +48 81 462 51 30

Website: www.mrbogdanka.pl

E-mail: biuro@mrbogdanka.pl

Industry Identification Number (REGON): 061626723

Tax Reg. No. (NIP): 505-012-41-90

Share capital of MR BOGDANKA Sp. z o.o. amounts to PLN 1,000,000 divided into 20,000 shares of PLN 50.

Shareholding structure: 100% LW BOGDANKA.

The business activity of the company consists in providing repair and regeneration services and manufacturing steel structures, as well as providing services to LW BOGDANKA.

1.2 Changes in the structure of the LW BOGDANKA Group

In the third quarter of 2015, there were no changes in the structure of the LW BOGDANKA Group or in the Group's organisational and capital associations with other entities. In the period in question, there was no change either in the structure of the LW BOGDANKA Group that would result from merger of business entities, takeover or sale of the Group's entities, long-term investments or division, restructuring or discontinuation of activities.

On 14 September 2015, ENEA S.A., with registered office in Poznań, announced a tender offer for the shares of LW BOGDANKA S.A. As a result of the tender offer, ENEA S.A. intended to obtain up to 64.57% of the total number of votes at the General Shareholders Meeting of the Company, which corresponds to the acquisition of 21,962,189 shares. Together with its subsidiary (ENEA Wytwarzanie Sp. z o.o.), ENEA S.A. wanted to obtain

22,448,969 shares, which represent 66% of the total number of votes at the General Shareholders Meeting of the Parent.

In its letter of 21 October 2015 addressed to the Parent, ENEA Wytwarzanie Sp. z o.o. announced that its sole shareholder, i.e. ENEA S.A., obtained an unconditional consent of the Office of Competition and Consumer Protection to take control over the Parent, which was the last condition to be met in this respect. According to the information provided by ENEA S.A. in Current Report No. 43/2015 of 16 October 2015, the expected day of the share acquisition transaction at the Stock Exchange is 26 October 2015, while the settlement of the acquisition transaction shall take place on 29 October 2015.

2. OWNERSHIP CHANGES IN LW BOGDANKA IN THE THIRD QUARTER OF 2015

2.1 Shareholders directly or indirectly holding substantial shareholdings

Table 1 The shareholding structure of LW BOGDANKA S.A. at the date of submitting the previous periodical report, i.e. 20 August 2015 and 29 October 2015

Shareholder	20 August 2015		29 October 2015	
	Number of shares/ Number of votes at the GSM	Share in the share capital (%)	Number of shares/ Number of votes at the GSM	Share in the share capital (%)
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK*	5,157,502	15.16	5,157,502	15.16
Nationale Nederlanden (ING) Otwarty Fundusz Emerytalny **	3,275,953	9.63	23,967,205	14.09
Otwarty Fundusz Emerytalny PZU "Złota Jesień" ***	3,320,377	9.76	3,320,377	9.76
Other	22,259,758	65.45	22,259,758	65.45
Total	34,013,590	100.00	34,013,590	100.00

* According to the notification received on 7 April 2015 described in Current Report No. 3/2015.

** According to the notification received on 12 October 2015 described in Current Report No. 30/2015.

*** According to the notification received on 18 March 2010 described in Current Report No. 10/2010.

As at the date of submitting this Report, the Company did not receive any additional notifications under Article 69 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies of 29 July 2005. Publicly available information suggests that on 26 October 2015, as a result of the tender offer, Enea S.A. acquired 64.57% shares in the Company. More information is provided in section 1.2 of the Report.

2.2 Table of holdings of shares of LW BOGDANKA or entitlements to them by the management and supervisory personnel of LW BOGDANKA

Table 2 Table of holdings of shares of LW BOGDANKA as at the date of submitting the quarterly report

Name and surname	Number of the Company's shares as at the date of submitting the Report for H1 2015, i.e. 20 August 2015	Number of the Company's shares as at the date of submitting the Report for Q3 2015, i.e. 29 October 2015
Management Board		
Zbigniew Stopa	5,703	1,414
Roger de Bazelaire	0	0
Waldemar Bernaciak	2,162	536
Krzysztof Szlaga	0	0
Supervisory Board		
Witold Daniłowicz	0	0
Eryk Karski	0	0
Stefan Kawalec	0	0
Raimondo Eggink	0	0
Robert Bednarski	0	0
Dariusz Formela	0	0
Tomasz Mosiek	0	0
Michał Stopyra	0	0

*The shareholdings according to declarations of the Management Board and Supervisory Board Members (after the settlement of transactions related to the tender offer of 14 September 2015).

By virtue of the Resolution of 30 September 2013 and as part of the Management Options Scheme, the Supervisory Board allocated a total of 1,102,032 Options for 2013-2017. Members of the Management Board were allocated the Options as follows: Zbigniew Stopa, President of the Management Board, received 183,672 Options, each of the remaining Members of the Management Board, i.e. Waldemar Bernaciak, Roger de Bazelaire and Krzysztof Szlaga received 122,448 Options. The remaining 551,016 Options were allocated to senior management officers of key importance for the Company's development. This was announced by the Company in Current Report No. 35/2013 of 30 September 2013. Options carry the right for eligible persons to acquire series A warrants free of charge. The warrants, in turn, carry the right to acquire series D shares.

On 24 April 2014, having assessed the financial statements for 2013, the Supervisory Board concluded that the criteria for exercising the Options by persons covered by the Management Options Scheme have been fulfilled.

As at 30 September 2015, a total of 1,143,863 options were allocated within the Management Options Scheme.

On 5 May 2015, upon assessment of the financial statements for 2014, the Company's Supervisory Board established that the UCCPr criterion which gives the right to exercise the Options has been satisfied, unlike the EPS criterion, which has not been fulfilled. Therefore, the eligible persons have the right to exercise the 50% of Options for a given year.

Details about the Management Options Scheme are contained in the Terms and Conditions of the Management Options Scheme of LW BOGDANKA S.A. with registered office in Bogdanka for 2013-2017, attached as Appendix to Current Report No. 35/2013 of 30 September 2013.

3. BASIC FINANCIAL AND ECONOMIC FIGURES OF THE LW BOGDANKA GROUP

3.1 Information on current and forecast economic and financial position of the LW BOGDANKA Group with assessment of financial resources management

Current market situation (oversupply of coal, price pressure exerted by the customers, sale of slow moving coal at lower prices) forces the Group, and in particular the Parent, to undertake actions aimed at maintaining the liquidity and profit on a satisfactory level. The Parent monitors its ratios and cash levels on an ongoing basis. The current agreements (with respect to bond issue, overdraft facility) together with the amount of cash in hand secure financing for the upcoming 3-5 years.

Works are consistently conducted to optimise the mining process (in terms of the technologies employed) and, simultaneously, is implementing a cost reduction programme (to trim down the coal extraction unit cost). All works (including new excavation planning, extraction and sale of commercial coal) take into account existing and future market risks (a possible decline in demand for power coal and in its price). Works to prepare new excavations for operational exploitation are carried out in such a manner so as to ensure the continuity of extraction. In addition, global coal prices are monitored on an ongoing basis.

The LW BOGDANKA Group pays its liabilities when due. The Group effectively manages its financial resources and, at the same time, deposits free funds with banks (for durations and in amounts determined on the basis of in-house financial forecasts). As at the date of preparation of this information the Group discerns no threats that could deteriorate its ability to pay its liabilities in the future.

3.2 Production, sale and inventories of coal

In the third quarter of 2015, the production of commercial coal in the Parent decreased by more than 14% compared to the same period of 2014 and totalled 2,039,000 tonnes.

In the period from January to September 2015, the production of commercial coal totalled PLN 5,930,000 tonnes, which shows a decrease of 10.6% compared to the same period of 2014. The decrease in commercial coal production is related to the adverse market situation (oversupply of coal), as a result of which coal is not produced at full capacity. Production is adjusted to the level of sales and warehouse capacity of the Parent.

Table 3 Commercial coal production by LW BOGDANKA for Q3 2015 and 2014, and 3Qs 2015 and 2014 ['000 tonnes]

2015	2014	2015	2014	Change 2015 / 2014	
Q3		3Qs		Q3 / Q3	3Qs / 3Qs
2,039	2,377	5,930	6,631	-14.2%	-10.6%

Table 4 Structure of commercial coal production by LW BOGDANKA for Q3 2015 and 2014, and 3Qs 2015 and 2014

	2015	2014	2015	2014
	Q3		3Qs	
Fine coal	98.3%	97.3%	98.5%	98.1%
Nut coal	0.9%	0.8%	0.5%	0.5%
Pea coal	0.8%	1.9%	1.0%	1.4%
Total	100.0%	100.0%	100.0%	100.0%

In all analysed periods the structure of sales did not change significantly – power fine coal remained the dominant assortment (its share in the production accounted for about 98%).

In the third quarter of 2015 the sales of coal fell by 12.3% compared to the third quarter of 2014. In the period between January and September 2015, the sale of commercial coal amounted to 6,008,000 tonnes, i.e. by 11.9% less than in the same period of 2014.

Table 5 Commercial coal sales by LW BOGDANKA for Q3 2015 and 2014, and 3Qs 2015 and 2014 ['000 tonnes]

2015	2014	2015	2014	Change 2015 / 2014	
Q3		3Qs		Q3 / Q3	3Qs / 3Qs
2,187	2,495	6,008	6,823	-12.3%	-11.9%

Chart 1 Analysis of the extraction of coal

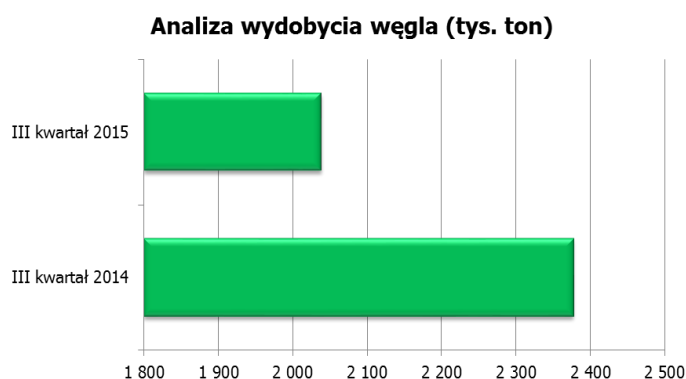


Chart – top:
On the side:
[Q3 2015]
[Q3 2014]

Chart 2 Analysis of the sale of coal

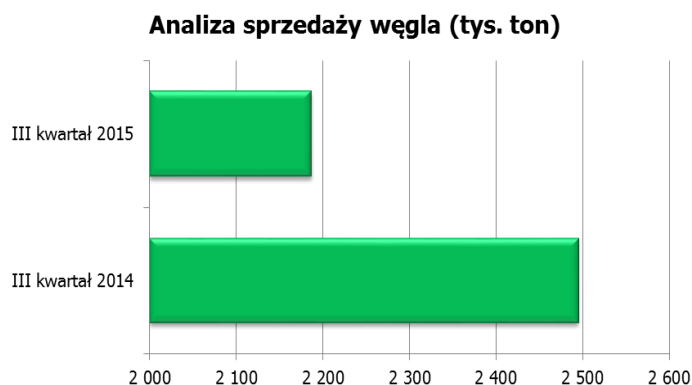


Chart – top:
On the side:
[Q3 2015]
[Q3 2014]

At the end of the third quarter of 2015 the level of coal inventories equalled 228,000 tonnes, which means a decrease of 78,000 tonnes, i.e. by 25.5% compared to the level as at 31 December 2014. At the same time, inventories as at 30 September 2015 are higher by 176,000 tonnes, i.e. 338.5%, than inventories as at 30 September 2014. The level of coal inventories presented at the end of the third quarter of 2015 corresponds to ca. eight days of commercial coal production of the Parent (based on average daily production for nine months).

Table 6 Inventories of coal after Q3 2015 and 2014, and as at 31 December 2014 ['000 tonnes]

30 Sep. 2015*	31 Dec. 2014**	30 Sep. 2014	Change [%] 30 Sep. 2015 / 31 Dec. 2014	Change [%] 30 Sep. 2015 / 30 Sep. 2014
228	306	52	-25.5%	338.5%

*The level of the inventories of coal accounted for a coal deposit (23,000 tonnes) for one of the Company's customers. As at the date of this Report, the volume of the deposit was settled in full (delivered to the recipient).

**The level of inventories of coal accounted for a coal deposit (116,000 tonnes) for several customers. The deposit was settled in full (delivered to the recipients) in the first quarter of 2015.

Chart 3 Coal inventories

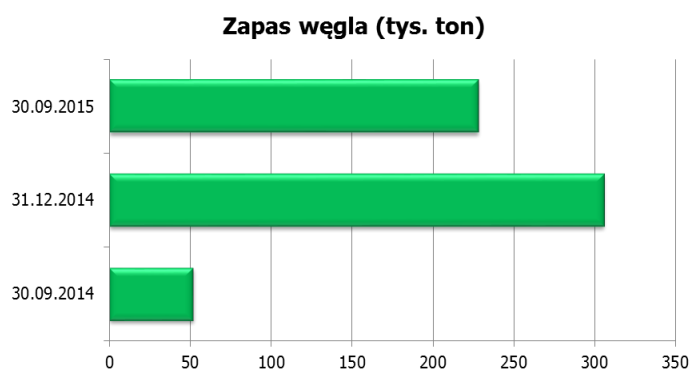


Chart – top:
On the side:
[30 September 2015]
[31 December 2014]
[30 September 2014]

3.2.1 Revenue and key customers

In the third quarter of 2015, the LW BOGDANKA Group generated revenue of PLN 483,424,000, which means a decrease by 11.3% compared to the third quarter of 2014. The revenue for the period between January-September 2015 amounted to PLN 1,326,984,000, compared to PLN 1,490,344,000 in the same period of 2014.

The main source of the Group's revenue is the production and sale of power coal. In each of the compared reporting periods this activity generates more than 95% of the Group's revenue.

In the consolidated abridged interim financial statements published by the Group, for presentation purposes, data concerning revenue from coal sales and costs of products, goods and materials sold is adjusted (downwards) by the value of sold coal that was obtained during drilling of excavations. Bearing in mind the above, the value indicated in the consolidated interim income statement for the period from 1 January to 30 September 2015 was adjusted by PLN 48,628,000, while in the same period of the previous year – by PLN 74,846,000.

Approx. 95% of coal sales (in terms of value) realised in the period from 1 January to 30 September 2015 were carried out between the Parent and Enea Wytwarzanie Sp. z o.o., GDF Suez Energia Polska S.A., ENERGA Elektrownie Ostrołęka S.A., PGNiG Termika S.A., Grupa Azoty Zakłady Azotowe Puławy S.A., and EDF Paliwa Sp. z o.o. In the period from 1 January 2014 to 30 September 2014, the above mentioned customers held a share in the revenue from coal sales of about 92%.

Table 7 Dynamics of changes in product range with respect to revenue of the LW BOGDANKA Group in Q3 2015 and 2014, and 3Qs 2015 and 2014 [PLN '000]

	2015	2014	2015	2014	Change 2015 / 2014	
	Q3		3Qs		Q3	3Qs
Sales of coal	466,584	520,855	1,272,027	1,421,537	-10.4%	-10.5%
Sales of ceramics	281	801	1,125	3,391	-64.9%	-66.8%
Other activities	13,208	19,769	44,893	56,629	-33.2%	-20.7%
Sales of goods and materials	3,351	3,548	8,939	8,787	-5.6%	1.7%
Total revenue	483,424	544,973	1,326,984	1,490,344	-11.3%	-11.0%

In the third quarter of 2015, the revenue from other activities (including revenue of subsidiaries) amounted to PLN 13,208,000 (2.7% of total revenue), compared to PLN 19,769,000 (3.6% of revenue) in the same period of 2014 (-33.2%). A significant share in that group of revenue was held by:

- revenue from services of coal transport provided by the LW BOGDANKA S.A. for the benefit of some customers (the highest impact on the decline of revenue in this group);
- revenue on lease of non-current assets;
- revenue on industrial activities provided for companies that perform works assigned by the Parent;
- revenue generated by Łęczyńska Energetyka from the sale of heat energy to third parties.

In the period from 1 January to 30 September 2015 revenue on other activities amounted to PLN 44,893,000 compared to PLN 56,629,000 in the same period of the previous year.

The share of revenue from the sale of goods and materials in the third quarter of 2015 remained the same as in the third quarter of 2014, i.e. 0.7%. In 2015 and 2014 (both for Q3 and 3Qs) the dominant position in this group was revenue from the sale of scrap (on the part of the Parent).

Table 8 Structure of the LW BOGDANKA Group revenue by product range in Q3 2015 and 2014, and 3Qs 2015 and 2014 [PLN '000]

	2015	2014	2015	2014
	Q3		3Qs	
Sales of coal	96.5%	95.6%	95.8%	95.4%
Sales of ceramics	0.1%	0.1%	0.1%	0.2%
Other activities	2.7%	3.6%	3.4%	3.8%
Sales of goods and materials	0.7%	0.7%	0.7%	0.6%
Total revenue	100.0%	100.0%	100.0%	100.0%

The activities of the Group are primarily concentrated in Poland. For three quarters of 2015, share of export in the total revenue increased to 0.2% (PLN 2,743,000) primarily due to export of coal behind the eastern border. In the period of three quarters of 2014, export sales primarily concerned ceramics.

Table 9 Geographic structure of revenue of the LW BOGDANKA Group in Q3 2015 and 2014, and 3Qs 2015 and 2014 [PLN '000]

	2015		2014		2015		2014	
	Q3	Structure	Q3	Structure	3Qs	Structure	3Qs	Structure
Domestic sales	483,364	100.0%	544,804	100.0%	1,324,241	99.8%	1,489,925	100.0%
Export sales	60	0.0%	169	0.0%	2,743	0.2%	419	0.0%
Total revenue	483,424	100.0%	544,973	100.0%	1,326,984	100.00%	1,490,344	100.00%

3.3 Costs of LW BOGDANKA

This section presents costs of LW BOGDANKA by type and function. The recording of prime costs by type covers all expenditure related to the factors and means of production used by the Company in its operating activities. The costs incurred, in accordance with the formula presented, reflect the use of a given production means or resources (e.g. materials, energy or labour costs) regardless of whether these will be charged to the costs of a given period as related to the product excavated and sold (commercial coal) or whether they have been used by the Company to finance the construction of a given facility with its own funds (incl. longwall galleries) and in the future, following the completion and settlement of a given investment task, they will be activated and depreciated as non-current assets, constituting depreciation costs of the period in question.

3.3.1 Costs by type

The third quarter

In the third quarter of 2015 costs by type incurred by LW BOGDANKA S.A. amounted to PLN 418,402,000 (PLN - 41,739,000 y-o-y), which means that they were lower by 9.1% than in the second quarter of 2014. The decrease in costs in the second quarter of 2015 was largely the result of recorded decrease in costs of external services, and materials and energy consumption.

Total cost of materials and energy consumption went down by 15.4% compared to the third quarter of 2014, and totalled PLN 96,899,000. In the period under analysis, there was a decrease of both the cost of energy (understood as the sum of the costs of electricity, hot water and other utilities) and the cost of materials used (due to the fact that the scope of preparatory works was smaller - 5.4 km of galleries were completed in Q3 2015, compared to 7.8 km in the last year, which represents a decrease of 31%).

The value of external services in the third quarter of 2015 compared to the third quarter of 2014 went down from PLN 112,369,000 to PLN 94,580,000 (-15.8%). The analysed period saw decreases in almost all categories of external services. The most significant changes affected transport services (the cost of transport by train went down in connection with lower coal sales), drilling and mining services (in connection with drilling and reconstructing excavations), as well as repairs and maintenance.

In 2015, the value of employee benefits went up by PLN 388,000 in comparison with 2014. In the period under analysis, remuneration and mandatory contributions on remuneration are lower (average headcount in Q3 2015 went down in relation to the same period of 2014). Moreover, the costs of the third quarter of 2015 include an additional allowance for the Company Employee Benefit Fund, while in 2014 it was included in the costs of the first quarter.

The value of depreciation and amortisation went down by 6.5% (to PLN 91,804,000) – the value of depreciation of non-current assets went up, whereas the natural depreciation fell down.

The value of taxes, fees and charges paid went down in the third quarter of 2015 to PLN 9,506,000 from PLN 9,831,000 in the third quarter of 2014 – the exploitation fee was lower, while real property tax was slightly higher.

The value of other costs decreased from PLN 4,249,000 (Q3 2014) to 4,189,000 (Q3 2015).

Three quarters

In the period between 1 January 2015 and 30 September 2015, LW BOGDANKA incurred costs by type in the amount of PLN 1,242,945,000, i.e. by 10.5% (PLN 145,201,000) lower than in the same period of 2014. The decrease of costs noted in the analysed period was largely influenced by the reduction in the costs of external services and consumption of materials and energy.

The total value of materials and energy consumption decreased by 16.7% compared to three quarters of 2014, and amounted to PLN 290,191,000. In the analysed period the value of energy (understood as the sum total of electricity, heat and water energy, and other utilities) slightly decreased, with the value of consumed materials going significantly down at the same time (it was caused by a smaller extent of performed preparatory works (in

the period of 9 months of 2015 the Company completed 15.5 km of galleries compared to 24.1 km in the previous year, which means a decrease of 35.7%).

The value of third-party services in the three quarters of 2015, compared to the same period of 2014, decreased from PLN 347,517,000 to PLN 263,720,000 (-24.1%). In the period under analysis, the value of all third-party services decreased, although the most significant changes were recorded for drilling and mining services (in connection with drilling and reconstructing excavations), repairs and maintenance, and transport of stone, which was caused by limitation of the production.

As compared to 2014, the value of employee benefits in 2015 fell by PLN 9,025,000. In the period under analysis, there was a decrease in the value of remuneration, mandatory contributions and other employee benefits. The headcount as at 30 September 2015 amounted to 4,573 employees, which represents a decrease by 362 people as compared to 30 September 2014.

The value of depreciation and amortisation increased by 1.7% (to PLN 279,707,000) – depreciation of fixed assets increased, whereas the natural depreciation decreased.

The value of taxes, fees and charges was lower during the nine months of 2015, falling to PLN 26,655,000 from PLN 27,211,000 in the nine months of 2014 – the exploitation fee was lower (due to extraction volume limitations), while the real property tax was higher.

The value of other costs increased from PLN 18,345,000 (3Qs 2014) to PLN 20,176,000 (3Qs 2015), with an increase in the costs of property insurance.

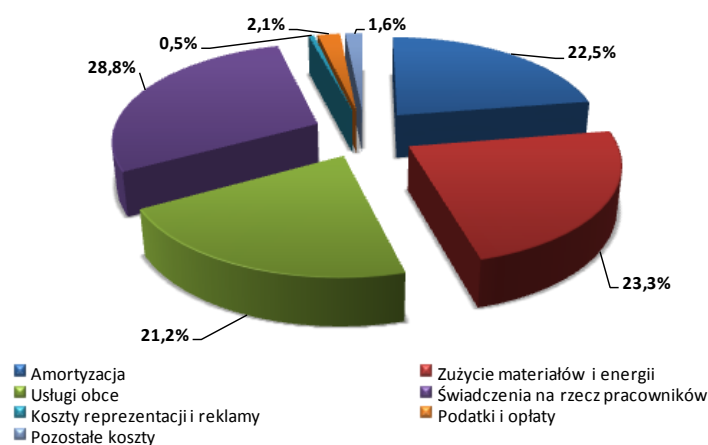
The result of an adjustment of costs by type by change in inventory of products and accruals and deferrals, the value of activities for the Company's own needs and the costs of goods and materials sold, will give own cost of sales for the three quarters of 2015 amounting to PLN 1,151,570,000. As compared to the same period of the previous year, it is lower by 8.2% (with a year-to-year decrease by 11.9% in the amount of coal sold).

Table 1 Costs by type of LW BOGDANKA S.A. [PLN '000]

Item	2015	2014	Change [%] 2015 / 2014	2015	2014	Change [%] 2015 / 2014
	Q3			3Qs		
Net production [in '000 tonnes]	2,039	2,377	-14.2%	5,930	6,631	-10.6%
Sales [in '000 tonnes]	2,187	2,495	-12.3%	6,008	6,823	-11.9%
Amortisation/depreciation	91,805	98,238	-6.5%	279,707	275,013	1.7%
Materials and energy consumption	96,899	114,578	-15.4%	290,191	348,304	-16.7%
External services	94,580	112,369	-15.8%	263,720	347,517	-24.1%
Employee benefits	119,929	119,541	0.3%	356,882	365,907	-2.5%
Entertainment and advertising costs	1,495	1,335	12.0%	5,614	5,849	-4.0%
Taxes, fees and charges	9,506	9,831	-3.3%	26,655	27,211	-2.0%
Other costs	4,189	4,249	-1.4%	20,176	18,345	10.0%
Total costs by type	418,403	460,141	-9.1%	1,242,945	1,388,146	-10.5%
Activities for the Company's own needs	-43,231	-61,273	-29.4%	-138,131	-187,903	-26.5%
Accruals and deferrals	18,420	29,796	-38.2%	41,009	52,374	-21.7%
Value of coal obtained from excavations	-15,731	-25,358	-38.0%	-48,628	-74,846	-35.0%
Provisions and other presentation adjustments between cost by type and by function	1,257	11,300	-88.9%	28,136	32,502	-13.4%
Total costs of production	379,118	414,606	-8.6%	1,125,331	1,210,273	-7.0%
Change in inventory of products	24,926	20,568	21.2%	17,432	35,749	-51.2%
Costs of goods and materials sold	3,338	3,496	-4.5%	8,807	8,684	1.4%
Own cost of sales, including:	407,382	438,670	-7.1%	1,151,570	1,254,706	-8.2%
Costs of products, goods and materials sold	372,371	403,521	-7.7%	1,052,136	1,152,419	-8.7%
Selling costs	9,245	9,454	-2.2%	28,045	29,777	-5.8%
Administrative costs	25,766	25,695	0.3%	71,389	72,510	-1.5%

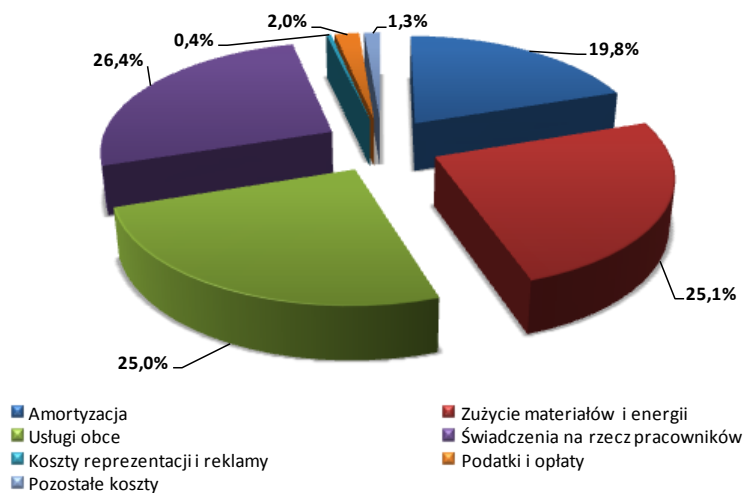
The changes presented in the group of costs by type had an impact on the change in the structure thereof. In the three quarters of 2015 (compared to the same period of the previous year) the share of depreciation and amortisation costs went up to 22.5%. A decrease was noted with respect to the share of external services costs (to 21.2%). The costs of employee benefits, external services and materials consumption in the period between 1 January and 30 September 2015 accounted for ca. 73% of the total costs, while in the same period of 2014, they accounted for ca. 77% of the total costs.

Chart 4 Structure of costs by type in 3Qs 2015



[left column]: Depreciation and amortisation, External services, Entertainment and advertising costs, Other costs
 [right column]: Materials and energy consumption, Employee benefits, Taxes, fees and charges

Chart 5 Structure of costs by type in 3Qs 2014



[left column]: Depreciation and amortisation, External services, Entertainment and advertising costs, Other costs
 [right column]: Materials and energy consumption, Employee benefits, Taxes, fees and charges

3.3.2 Costs by function

In the third quarter of 2015 the own cost of sales (by function) amounted to PLN 407,382,000 and was lower by 7.1% than the cost in the third quarter of 2014. A year-to-year decrease results in the most part from lower costs by type incurred, lower accruals and deferrals, and negative balance of provisions and other IAS adjustments.

Costs by function in the period between January and September 2015 were lower by PLN 103,136,000 than in the analogous period of 2014, and amounted to PLN 1,151,570,000.

Table 2 Costs by function of LW BOGDANKA S.A. [PLN '000]

Item	2015	2014	Change [%] 2015 / 2014	2015	2014	Change [%] 2015 / 2014
	Q3			3Qs		
Net production [in '000 tonnes]	2,039	2,377	-14.2%	5,930	6,631	-10.6%
Sales [in '000 tonnes]	2,187	2,495	-12.3%	6,008	6,823	-11.9%
Costs of products, goods and materials sold	372,371	403,521	-7.7%	1,052,136	1,152,419	-8.7%
Selling costs	9,245	9,454	-2.2%	28,045	29,777	-5.8%
Administrative costs	25,766	25,695	0.3%	71,389	72,510	-1.5%
Own cost of sales	407,382	438,670	-7.1%	1,151,570	1,254,706	-8.2%

The structure of costs by function is presented in the table below.

Table 3 Structure of costs by function at LW BOGDANKA S.A.

Item	2015	2014	2015	2014
	Q3		3Qs	
Costs of products, goods and materials sold	91.4%	91.9%	91.4%	91.8%
Selling costs	2.3%	2.2%	2.4%	2.4%
Administrative costs	6.3%	5.9%	6.2%	5.8%
Own cost of sales	100.0%	100.0%	100.0%	100.0%

3.4 Provisions at the LW BOGDANKA Group

Table 13 Balance-sheet provisions in the LW BOGDANKA Group at the end of Q3 2015 and 2014, and at the end of 2014 [PLN '000]

Item	As at 30 Sep. 2015	As at 31 Dec. 2014	As at 30 Sep. 2014	Change 30 Sep. 2015/ 31 Dec. 2014 [%]	Change 30 Sep. 2015/ 30 Sep. 2014 [%]
	Employee provisions	241,245	226,724	236,641	6.4%
Provision for real property tax	24,388	23,258	34,044	4.9%	-28.4%
Provision for mine closure costs	115,744	123,585	116,008	-6.3%	-0.2%
Mining damage	7,527	9,155	11,587	-17.8%	-35.0%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	18,396	15,901	12,414	15.7%	48.2%
Other	27,885	25,295	25,041	10.2%	11.4%
TOTAL	435,185	423,918	435,735	2.7%	-0.1%

The total provisions as at 30 September 2015 amounted to PLN 435,185,000, which means an increase by 2.7% compared to the value as at the end of 2014. Employee provisions on a year-by-year basis grew by 6.4% and amounted to PLN 241,245,000 as at 30 September 2015.

The change in provisions in the third quarter of 2015 amounted to PLN +143,000 compared to PLN +40,666,000 in the third quarter of 2014. The change in provisions in the period between 1 January and 30 September 2015 amounted to PLN + 11,267,000, while in the same period of the last year the change equalled PLN +85,590,000.

Table 14 Change in provisions in the LW BOGDANKA Group for Q3 2015 and 2014, and 3Qs 2015 and 2014 [PLN '000]

Item	Change in Q3 2015	Change in Q3 2014	Change 30 Sep. 2015/ 31 Dec. 2014 [%]	Change in 3Qs 2015	Change in 3Qs 2014	Change 30 Sep. 2015/ 31 Dec. 2014 [%]
Employee provisions	-4,015	22,626	-	14,521	36,611	-60.3%
Provision for real property tax	-1,002	1,463	-	1,130	6,198	-81.8%
Provision for mine closure costs	2,960	14,760	-79.9%	-7,841	30,730	-
Mining damage	-380	-643	-40.9%	-1,628	-1,346	21.0%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	330	1,974	-83.3%	2,495	12,414	-79.9%
Other	2,250	486	363.9%	2,590	983	163.5%
TOTAL	143	40,666	-99.6%	11,267	85,590	-86.8%

The tables below present items in which the changes in provisions were disclosed in the financial statements.

Table 15 Disclosure of changes to provisions in the financial statements of the Group for Q3 2015 [PLN '000]

Item	Change in provisions in Q3 2015	Including:				
		Change disclosed in operating activity (EBITDA)	Change disclosed below the result of operating activity - interest	Change disclosed only in the balance sheet – increase in balance-sheet value of property, plant and equipment	Change disclosed in other Comprehensive Income	Change disclosed only in the balance-sheet – use of the provision
Employee provisions	-4,015	3,808	1,583	-	1,024	-10,430
Provision for real property tax	-1,002	1,788	-	-	-	-2,790
Provision for mine closure costs	2,960	893	850	1,217	-	-
Mining damage	-380	-	-	-	-	-380
Other	2,250	1,959	291	-	-	-
Provision for Social Insurance Institution (ZUS) claim for accident contributions	330	-	330	-	-	-
TOTAL	143	8,448	3,054	1,217	1,024	-13,600

Table 16 Disclosure of changes to provisions in the financial statements of the Group for 3Qs 2015 [PLN '000]

Item	Change in provisions for 9 months 2015	Including:				
		Change disclosed in operating activity (EBITDA)	Change disclosed below the result of operating activity - interest	Change disclosed only in the balance sheet – increase in balance-sheet value of property, plant and equipment	Change disclosed in Other Comprehensive Income	Change disclosed only in the balance-sheet – use of the provision
Employee provisions	14,521	36,098	4,219	-	137	-25,933
Provision for real property tax	1,130	6,375	-	-	-	-5,245
Provision for mine closure costs	-7,841	2,452	2,549	-12,842	-	-
Mining damage	-1,628	-	-	-	-	-1,628
Other	2,590	1,959	862	-	-	-231
Provision for Social Insurance Institution (ZUS) claim for accident contributions	2,495	1,538	957	-	-	-
TOTAL	11,267	48,422	8,587	-12,842	137	-33,037

3.5 Selected financial data of the BOGDANKA Group

Table 17 Analysis of the consolidated interim income statement [PLN '000]

	2015	2014	Change [%] 2015 / 2014	2015	2014	Change [%] 2015 / 2014
	Q3			3Qs		
Revenue	483,424	544,973	-11.3%	1,326,984	1,490,344	-11.0%
Costs of products, goods and materials sold, selling and administrative costs	408,493	438,116	-6.8%	1,152,306	1,248,752	-7.7%
Profit on sales	74,931	106,857	-29.9%	174,678	241,592	-27.7%
<i>Profit on sales margin (Gross margin)</i>	<i>15.5%</i>	<i>19.6%</i>	<i>-20.9%</i>	<i>13.2%</i>	<i>16.2%</i>	<i>-18.5%</i>
Other income	414	274	51.1%	2,430	1,102	120.5%
Other costs	216	299	-27.8%	599	1,298	-53.9%
Net operating profit/loss	75,129	106,832	-29.7%	176,509	241,396	-26.9%
Other net loss	-1,904	-6,882	-72.3%	-1,964	-14,788	-86.7%
Operating profit (EBIT)	73,225	99,950	-26.7%	174,545	226,608	-23.0%
<i>EBIT margin</i>	<i>15.1%</i>	<i>18.3%</i>	<i>-17.5%</i>	<i>13.2%</i>	<i>15.2%</i>	<i>-13.2%</i>
EBITDA	166,334	198,216	-16.1%	458,121	502,484	-8.8%
<i>EBITDA margin</i>	<i>34.4%</i>	<i>36.4%</i>	<i>-5.5%</i>	<i>34.5%</i>	<i>33.7%</i>	<i>2.4%</i>
Finance income	1,373	2,328	-41.0%	4,635	6,929	-33.1%
Finance costs	3,623	3,231	12.1%	14,993	17,694	-15.3%
Profit before taxation	70,975	99,047	-28.3%	164,187	215,843	-23.9%
<i>Pre-tax profit margin</i>	<i>14.7%</i>	<i>18.2%</i>	<i>-19.2%</i>	<i>12.4%</i>	<i>14.5%</i>	<i>-14.5%</i>
Income tax	14,336	19,677	-27.1%	32,050	45,049	-28.9%
Net profit for the financial year	56,639	79,370	-28.6%	132,137	170,794	-22.6%
<i>Net profit margin</i>	<i>11.7%</i>	<i>14.6%</i>	<i>-19.9%</i>	<i>10.0%</i>	<i>11.5%</i>	<i>-13.0%</i>
- attributable to shareholders of the Parent	56,696	80,218	-29.3%	132,040	171,435	-23.0%

Chart 6 Analysis of the consolidated income statement on individual levels of the Group's operations in Q3 2015 and 2014

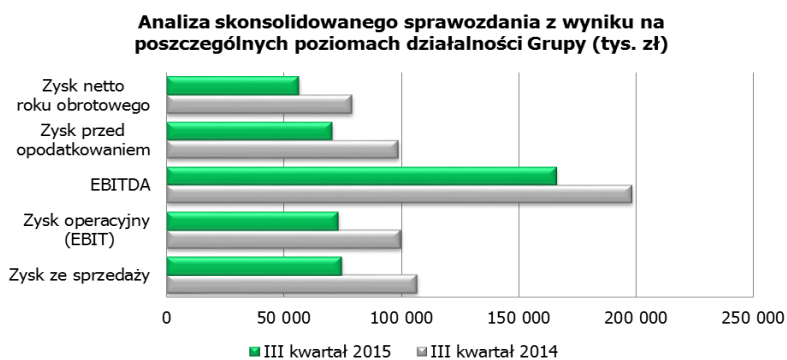


Chart – top:

On the side:

[Net profit for the financial year]

[Profit before taxation]

[EBITDA]

[Operating profit (EBIT)]

[Profit on sales]

Bottom: [Q3 2015]; [Q3 2014]

Chart 7 Analysis of the consolidated income statement on individual levels of the Group's operations in 3Qs 2015 and 2014

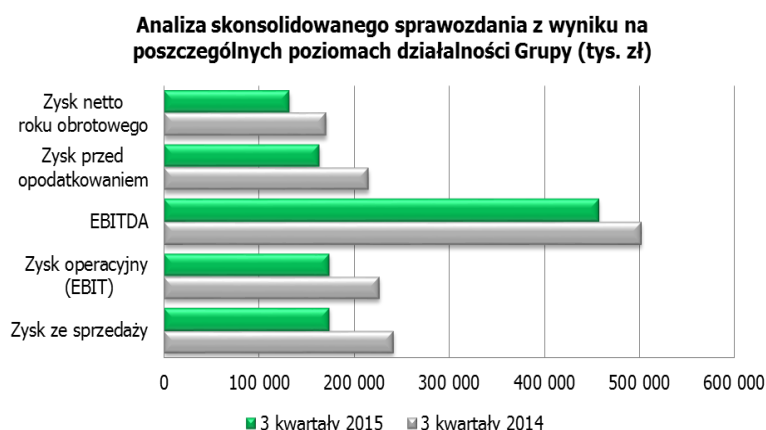


Chart – top:

On the side:

[Net profit for the financial year]

[Profit before taxation]

[EBITDA]

[Operating profit (EBIT)]

[Profit on sales]

Bottom: [3Qs 2015]; [3Qs 2014]

Revenue

The value of revenue for the third quarter of 2015 went down by 11.3% compared to the same period of the previous year and amounted to PLN 483,424,000.

In the period between 1 January 2015 and 30 September 2015 the Group generated revenue in the amount of PLN 1,326,984,000 as compared to PLN 1,490,344,000 in the same period of 2014 (down by 11%).

Cost of products, goods and materials sold, selling costs, administrative costs

In the third quarter of 2015 the costs of products, goods and material sold plus selling and administrative costs went down by 6.8% compared by the same period of the previous year and amounted to PLN 408,493,000. In the three quarters of 2015, the costs in question went down by 7.7% y-o-y.

Profit on sales

The profit on sales in the third quarter of 2015 went down by 29.9% compared to the third quarter of 2014 and amounted to PLN 74,931,000. Profit on sales in the three quarters of 2015 in the amount of PLN 174,678,000 was lower than the profit achieved in the three quarters of 2014 by 27.7%.

Other income

In the three quarters of 2015 other income amounted to PLN 414,000 compared to PLN 274,000 a year before. The value of liquidated damages (PLN 2,003,000) dominates the figure for 3Qs 2015 (PLN 2,430,000).

Other costs and other net profits/net losses

Other net losses in the third quarter of 2015 amounted to PLN 1,904,000 compared to PLN 6,882,000 in the third quarter of 2014 – which means a decrease by PLN 4,978,000. The amount of PLN -1,904,000 mainly refers to a provision for liabilities to ZUS [Social Insurance Institution] (PLN 1,538,000).

Data for the three quarters of 2015 show a decrease in other net losses y-o-y by PLN 12,824,000. For the three quarters of 2014, the amount of PLN 14,788,000 included: provision for the claims of the Social Insurance Institution for occupational injury contribution, as well as costs related to the liquidation of outlays with no effect and the impairment loss of investment expenditure recognised in the third quarter of 2014 by the subsidiary Łęczyńska Energetyka.

EBIT

The operating profit in the third quarter of 2015 amounted to PLN 73,225,000 and was lower by 26.7% compared to the third quarter of 2014. EBIT margin in the third quarter of 2015 was 15.1%, i.e. it was lower by 3.2 p.p. than in the third quarter of the previous year. EBIT margin in the three quarters of 2015 was lower by 2 p.p. compared to the same period of 2014, and accounted for 13.2%.

EBITDA

EBITDA, i.e. operating profit of the Group plus depreciation and amortisation, in the third quarter of 2015 went down by 16.1% compared to the third quarter of 2014 and amounted to PLN 166,334,000. Depreciation and amortisation of the Group in the third quarter of 2015 amounted to PLN 93,109,000 compared to 98,266,000 in the same period of 2014.

EBITDA margin in the third quarter of 2015 equalled 34.4%, which shows a decrease compared to the same period of 2014.

For three quarters of the year, the Group's EBITDA margin amounted to 34.5%, i.e. more by 0.8% compared to the same period in 2014 (when EBITDA dropped in the analysed period by 8.8%).

Finance income

Finance income in the third quarter of 2015 amounted to PLN 1,373,000, which represents a decrease of 41% compared to the same period of 2014. This is due to the fact that market interest rate on deposits was reduced (at the same time the annual average level of cash in the Group went down). The same situation applies to the three quarters of 2015 and 2014.

Finance costs

In the third quarter of 2015 finance costs amounted to PLN 3,623,000 and were higher by 12.1% than the costs in the same period of 2014.

The finance cost for the nine months of 2015 amounted to PLN 14,993,000 compared to PLN 17,694,000 in 2014 (decrease by 15.3%). The total indebtedness of the Group amounted to PLN 720,360,000 as at 30 September 2015 compared to PLN 703,052,000 as at 30 September 2014. In 2015 lower reference rates were in place, and there was a change in capitalised interest.

Profit before taxation

In the third quarter of 2015, the Group generated pre-tax profit which was lower by 28.3% than in the third quarter of 2014. Pre-tax result amounted to PLN +70,975,000 (Q3 2015) compared to PLN +99,047,000 (Q3 2014).

Profit before taxation for three quarters of 2015 amounted to PLN 164,187,000 against PLN 215,843,000 in the same period of 2014.

Net profit for the financial year

In the third quarter of 2015 the Group generated net profit lower by 28.6% than in the third quarter of 2014 – it amounted to PLN 56,639,000 in 2015 compared to PLN 79,370,000 in 2014. Net profit in the period under analysis attributable to the shareholders of the Parent amounted to PLN 56,696,000 compared to PLN 80,218,000 in the same period of the previous year.

The net profit of the Group for the three quarters of 2015 was PLN 132,137,000 compared to PLN 170,794,000 (a decrease by 22.6%). In the period under analysis, net profit attributable to the shareholders of the Parent amounted to PLN 132,040,000 compared to PLN 171,435,000 in the same period of the previous year.

3.5.1 Balance sheet

Table 18 Selected financial information of the LW BOGDANKA Group [PLN '000]

	30 Sep. 2015	31 Dec. 2014	Change [%] 30 Sep. 2015 / 31 Dec. 2014
Total assets	4,289,335	4,364,415	-1.7%
Return on Assets (ROA)*	5,4%	6,6%	-18.2%
Non-current assets	3,662,482	3,730,165	-1.8%
Current assets	626,853	634,250	-1.2%
Equity	2,539,490	2,523,827	0.6%
Return on Equity (ROE)*	9,2%	10,9%	-15.6%
Provisions and liabilities	1,749,845	1,840,588	-4.9%

* - the calculations consider the average level of assets and equity (as at 30 September 2015 + as at 31 December 2014)/2

Chart 8 Analysis of the consolidated statement of financial position (PLN million)

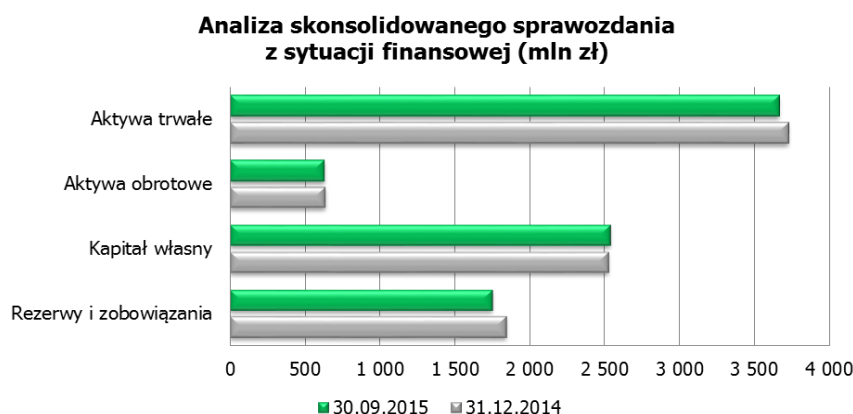


Chart – top:
On the side:
[Non-current assets]
[Current assets]
[Equity]
[Provisions and liabilities]

Assets

The balance-sheet total as at 30 September 2015 went down to PLN 4,289,335,000 (i.e. by PLN 75,080,000) compared to the value as at 31 December 2014. The non-current assets went down by PLN 67,683,000, while current assets went down by PLN 7,397,000. Within current assets, the value of inventories went down by 17.8%, trade and other receivables going down by 7.6%, and cash and cash equivalents going up by 20.6%. The level of coal inventories presented at the end of the third quarter of 2015 corresponds approximately to eight days of commercial coal production of the Parent (on the basis of average daily production for nine months).

As at 30 September 2015, ROA went down by 1.2 p.p. and equalled, as at the balance-sheet date, 5.4%.

Equity and liabilities

The equity went up by 0.6%. It was mainly the result of adding net comprehensive income for the nine months of 2015 to equity, and settling the profit/loss for 2014 (PLN 3.50 per share designated for dividend, the balance was added to the supplementary capital).

Provisions and liabilities went down by 4.9% compared to the value as at 31 December 2014, with current liabilities going down by 13.1% (liabilities for dividend went up, but there was a decrease in trade creditors and loans and borrowings), and non-current liabilities going down by 0.3%.

As at 30 September 2015, a decrease of 1.7 p.p. in return on equity was noted in relation to the end of 2014. The ratio as at 30 September 2015 accounted for 9.2% compared to 10.9% as at 31 December 2014.

3.5.2 Cash flows

Table 19 Consolidated interim cash flows in Q3 2015 and 2014, and 3Qs 2015 and 2014 [PLN '000]

	2015	2014	Change [%] 2015 / 2014	2015	2014	Change [%] 2015 / 2014
	Q3			3Qs		
Cash flow from (used in) operating activities	147,731	231,987	-36.3%	504,566	566,946	-11.0%
Cash flow from (used in) investing activities	-76,211	-112,000	-32.0%	-364,382	-428,294	-14.9%
CFFO*	71,520	119,987	-40.4%	140,184	138,652	1.1%
Cash flow from (used in) financing activities	-58,280	102,929	-	-99,889	76,340	-

* sum of cash flow from operating and investing activities

Chart 9 Analysis of the consolidated statement of cash flows (PLN '000)

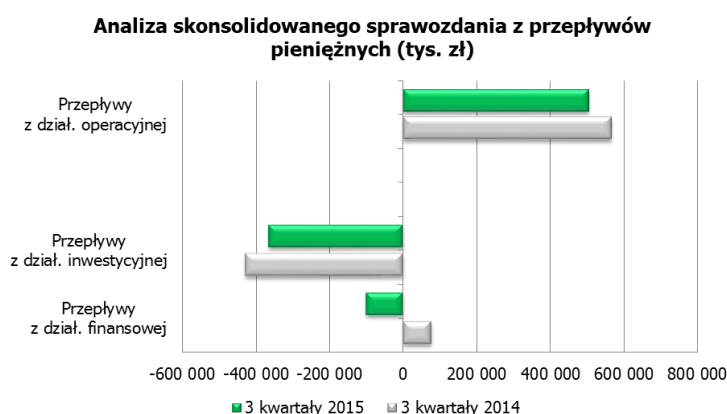


Chart – top:

On the side:

[Cash flow from operating activities]

[Cash flow from investing activities]

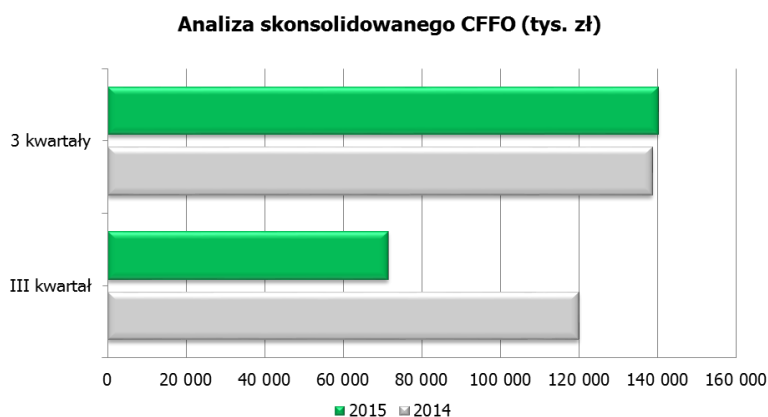
[Cash flow from financing activities]

Bottom: [3Qs 2015]; [3Qs 2014]

In the third quarter of 2015 the Group generated net cash flow from operating activities lower by 36.3% than in the third quarter of 2014, in the period from 1 July 2015 to 30 September 2015 it amounted to PLN 147,731,000 compared to PLN 231,987,000 a year before. During the three quarters, the Group generated cash flow from operating activities in the amount of PLN 504,566,000 (-11.0% y-o-y).

Cash flow from investing activities decreased (in absolute terms) in the third quarter of 2015 by 32.0% (to PLN 76,211,000) compared to the same period of 2014. Cumulatively, for the nine months of 2015, cash flow from investing activities were lower by 14.9% in comparison to the cash flow in the same period of last year.

Chart 10 Analysis of the consolidated CFFO from Q3 2015 and 2014, and 3Qs 2015 and 2014 [PLN '000]



On the side:
[3Qs]
[Q3]

Despite difficult market situation, activities undertaken by the Group brought positive results in the form of an increase in the CFFO for 3Qs 2015 + PLN 140,184,000 compared to + PLN 138,652,000 for 3Qs 2014.

In the period from 1 July to 30 September 2015 the Group recorded negative cash flow from financing activities in the amount of PLN 58,280,000 (mostly repayment of an overdraft facility); in the same period of 2014, cash flow was a positive figure (dividend was paid – negative impact on cash flow, but at the same time funds were acquired from the issue of bonds – positive impact on cash flow). In the three quarters of 2015, net cash flow was negative (overdraft facility was repaid). By way of comparison, this item was represented by a positive figure in the three quarters of 2014 (PLN 500,000,000 was acquired from the issue of bonds, which was used to repay PLN 421,000,000 in loans).

3.5.3 Debt and financing structure of the LW BOGDANKA Group

Table 20 Debt ratios of the LW BOGDANKA Group

	30 Sep. 2015	31 Dec. 2014	Change 30 Sep. 2015 / 31 Dec. 2014
Overall debt ratio	40.8%	42.2%	-1.4 p.p.
Ratio (debt* plus employee liabilities)/EBITDA	1.36	1.39	-2.2%
Net debt /EBITDA ratio	0.69	0.82	-15.9%
Debt to equity ratio	68.9%	72.9%	-4 p.p.
Fixed capital to non-current assets ratio	98.1%	95.7%	2.4 p.p.
Current debt ratio	13.6%	15.3%	-1.7 p.p.
Non-current debt ratio	27.2%	26.8%	0.4 p.p.

*debt=non-current liabilities for bond issue plus long-term loans and borrowings plus short-term loans and borrowings

Overall debt ratio

The overall debt ratio as at 30 September 2015 slightly went down compared to the ratio as at 31 December 2014 and reached 40.8% - the share of borrowed capital in the overall financing sources of the Group decreased.

The level of the Group's debts as at 30 September 2015 did not pose any risk to the Group's operation and ability to settle liabilities in a timely manner. On the basis of medium and long-term forecasts, the financial needs of the Group are analysed in order to ensure liquidity and an appropriate level of cash.

Ratio debt plus employee liabilities/EBITDA

The ratio showing debt to EBITDA at the end of the third quarter of 2015 went down and totalled 1.36. A comparison between the ratio as at 30 September 2015 and the ratio as at 31 December 2014 shows that in nominal terms the amount of debt has decreased more than EBITDA (calculated progressively for the past four quarters).

Ratio net debt/EBITDA

The ratio showing net debt (sum of interest-bearing current- and non-current liabilities minus cash and cash equivalents) to EBITDA went down from 0.82 as at 31 December 2014 to 0.69 as at 30 September 2015. Net debt went down by about PLN 134 million with a decrease of EBITDA by about PLN 44 million (EBITDA calculated progressively for the last 4 quarters).

Debt to equity ratio

The debt to equity ratio as at 30 September 2015 went down by 4 p.p. compared to the ratio as at 31 December 2014 and reached 68.9% - liabilities went down by approx. PLN 91 million with equity going up by approx. PLN 16 million.

Fixed capital to non-current assets ratio

The fixed capital to non-current assets ratio was 98.1% (as at 30 September 2015) compared to 95.7% (as at 31 December 2014) – in the analysed period the value of fixed capital (equity plus non-current liabilities less provisions) went up, while non-current assets went down.

3.5.4 Liquidity ratios

Table 21 Liquidity ratios [days]

	30 Sep. 2015	31 Dec. 2014	Change 30 Sep. 2015 / 31 Dec. 2014
Current liquidity ratio	1.25	1.06	17.9%
Quick liquidity ratio	1.03	0.84	22.6%

In the period covered by the Condensed Consolidated Quarterly Financial Statements, the liquidity ratios of the Group remained at a safe level, and the Group is not having any difficulties in settling its liabilities.

3.5.5 Turnover ratios

Table 22 Turnover ratios [days]

	Formula	30 Sep. 2015	31 Dec. 2014	Change 30 Sep. 2015 / 31 Dec. 2014
1. Inventory turnover	$\frac{\text{Average inventories}}{\text{costs of goods, products and materials sold}}$	31	30	3.3%
2. Debtors collection rate*	$\frac{\text{Average debtors}}{\text{revenue}}$	60	49	22.4%
3. Creditors payment rate**	$\frac{\text{Average creditors}}{\text{costs of goods, products and materials sold}}$	101	89	13.5%
4. Operating cycle	1 + 2	91	79	15.2%
5. Cash conversion cycle	4 - 3	-10	-10	0.0%

* - Trade and other receivables

** - Trade and other liabilities

Inventory turnover

The inventory turnover ratio as at 30 September 2015 went up by 1 day compared to the ratio as at 31 December 2014 – the average value of inventories in both periods under analysis was comparable.

Debtors collection rate

The debtors collection rate (calculated on the basis of the balance-sheet item "Trade and other receivables") was 60 days (as at 30 September 2015), as compared to 49 days (as at 31 December 2014). The increase in the rate is attributable to lower revenue.

Creditors payment rate

The creditors payment rate (calculated on the basis of the balance sheet item "Trade and other liabilities") in the period covered by financial information got longer by 12 days to 101 days, as compared to the end of 2014. In the analysed period the Group had higher average level of short-term trade liabilities.

Operating cycle

The operating cycle for current assets (a sum of inventory turnover and debtors collection rate) in the analysed period was 91 days, as compared to 79 days as at 31 December 2014. The time necessary for realising the Group's current assets got longer by 12 days on average.

Cash conversion cycle

As a result of the trends described above, a cash conversion cycle of -10 days was achieved as at 30 September 2015 (the same value as at 31 December 2014). The negative value of the cash conversion cycle means that the Group uses non-interest-bearing borrowed capital.

3.6 Information on sources of financing and financial instruments

Forward foreign exchange contracts:

Derivative transactions are entered into in order to hedge cash flows resulting from contracts denominated in a currency other than PLN. During 2015 the Parent was a party to three forward foreign exchange transactions.

The first and the second hedge of payment under contract was established for the performance of the agreement worth EUR 39.75 million covering the supply and assembly of a wall plough system for low seams. Forward transactions were entered into on 24 March 2014, with the value date falling in the first quarter of 2015. The total value of the hedge is EUR 27.83 million. On 27 February 2015 the forward transaction in the amount of EUR 23.85 million was settled. Payment for liabilities hedged with the forward transaction was made on 2 April 2015 by physical currency delivery. On 31 March 2015 the next forward transaction in the amount of EUR 3.98 million was settled. The settlement was effected by physical currency delivery. By the date of this Report, the payment for liabilities hedged with this transaction has not been made. The third hedge was established for the performance of the agreement for the sale of coal in which the payment was denominated in USD. The forward transaction was entered into on 23 December 2014 for an amount of USD 930,000. The transaction was settled by physical currency delivery on 27 February 2015.

As at 30 September 2015 the Company did not have any forward transactions and other derivatives.

Guarantees:

On 27 May 2015, the Parent and Bank Polska Kasa Opieki S.A. signed Annex 1 to Guarantee Line Agreement 2014/107/DDF. Under the Annex, the Parent may give instructions for Guarantees during the guarantee line limit availability period until 27 May 2016. The validity period of a guarantee may not be longer than 24 months. The expiry date of any of the guarantees may be later than 27 May 2018. In connection with this guarantee line limit, on 13 June 2014, a guarantee for the repayment of part of the price in the amount of EUR 27,83 million was issued for the benefit of Caterpillar Global Mining Europe GmbH. After the Parent paid the invoice issued by the beneficiary, the amount of the guarantee was reduced to EUR 3,98 million. On 11 August 2015, the beneficiary of the guarantee requested the Parent to extend the validity period of the guarantee. On 26 August 2015, Polska Kasa Opieki S.A. issued an annex under which the guarantee term was extended until 15 October 2015. On 14 October 2015, another annex was issued under which the guarantee term was extended until 29 October 2015.

Bonds:

On 30 June 2014 the Parent concluded with Bank Polska Kasa Opieki Spółka Akcyjna and Bank Gospodarstwa Krajowego an agreement on a bond issue programme, which provides for the issue of bonds by LW BOGDANKA S.A. up to the amount of PLN 600,000,000.

On 1 August 2014 Bank Polska Kasa Opieki S.A. and Bank Gospodarstwa Krajowego jointly acquired two series of bonds. In performance of the provisions of the Programme, the Guarantors acquired jointly 300 registered bonds with a nominal value of PLN 1,000,000 each, and jointly 100 registered bonds with a nominal value of PLN 1,000,000 each.

The aggregate amount of bonds acquired by the Guarantors stood at PLN 400,000,000. The bond redemption date is 30 June 2015.

In accordance with the Bond Issue Programme rules, the Company may, during the period of the programme, issue successive bond series as part of tranches, with the proceeds to be used to refinance the previous bond issues as part of the programme (rollover). Consequently, for the purpose of refinancing its LWB01A300615 and LWB02A300615 bond series, on 30 June 2015 the Company issued a total of 300 registered bonds identified as the LWB01B300616 as part of Tranche 1 with the par value of PLN 1,000,000 (one million zlotys) each and a total of 100 registered bonds identified as the LWB02B300616 series as part of Tranche 2 with the par value of PLN 1,000,000 (one million zlotys) each. These bonds were acquired by the Guarantors. The total par value of the bonds acquired by the Guarantors is PLN 400,000,000.

The maturity date of series LWB01B300616 bonds and series LWB02B300616 bonds is 30 June 2016.

The Programme sets out that the Company has the right to issue subsequent series of bonds under the tranche concerned in order to refinance the previous issue under the tranche concerned (rollover), which supports the long-term nature of the Programme. As at 30 September 2015 the Parent issued bonds in the aggregate amount of PLN 400,000,000. Bonds still to issue stand at PLN 200,000,000.

Additionally, a programme started in 2013 is in place at the Company, under which bonds with the total value of PLN 300,000,000 were issued.

Loans:

On 10 April 2014 a tender for a bank service entailing the advancement of a revolving overdraft credit facility in PLN up to the limit of PLN 150,000,000 and the servicing thereof was awarded (the agreement was signed on 21 May 2014). As at 30 September 2015, the Group did not use the above credit line available in the current account.

In the period from 1 January 2015 to 30 September 2015 the Group did not use any other financial instruments to hedge its exposure to the following risks: price changes, credit risk, substantial cash flow disruptions resulting from changes in interest rates and loss of solvency.

The Group is of the opinion that the risk associated with trade receivables is limited as the Group transacts only with customers of confirmed credit ratings (major customers are entities of stable financial situation). Further, the Group continuously monitors its customers' arrears in settling their payments.

The Group is of the opinion that the risk associated with trade creditors is limited as the Group continuously analyses inflows and outflows - knows in advance what amounts will be due, and still has an unused limit with respect to bonds and a loan facility at mBank.

3.7 Capital investments and deposits in the LW BOGDANKA Group

The value of cash held by the Group as at the end of September 2015 amounted to PLN 325,723,000, out of which the funds of PLN 307,672,000 belonged to the Parent. The amount of PLN 325,723,000 is disclosed as follows:

- PLN 89,947,000 is disclosed in non-current assets,

- PLN 235,776,000 is disclosed in current assets.

The amount of PLN 89,947,000 covers funds accumulated by the Parent in the Mine Closure Fund, to be allocated for the coverage of costs of a mine closure (these resources are held in bank deposit).

The amount of PLN 235,776,000 includes cash (cash available) held in short- and mid-term bank deposits (including overnight deposits) – the level of deposits depends on internal forecasts regarding inflows and outflows. The funds accumulated at the Parent amount to PLN 217,725,000, while the funds accumulated at Subsidiaries amount to PLN 18,051,000 (primarily on the part of Łęczyńska Energetyka). The amount of PLN 217,725,000 disclosed in the balance sheet of the Parent included funds from a foreign exchange contract (EUR), which the Parent held for the purchase of a new longwall ploughing system for low seam mining (the last instalment of 10% of the order price is outstanding).

3.8 Assessment of the possibilities of investment plans' execution

The structure of financing property investment expenses will remain compliant with the adopted Strategy, i.e. they will be financed from equity and the debt held (bonds and loan). As at the date of providing this Report, the LW BOGDANKA Group sees no threat as to the possibility to acquire additional debt financing, however it indicates that the costs of acquiring the debt as well as the servicing thereof may be higher than currently.

Under its Programme Agreement of 23 September 2013 with PEKAO S.A. relating to the Bond Issue Programme for up to PLN 300,000,000, the Company issued bonds with the total value of PLN 300,000,000, i.e. the full value available under the Programme.

Under its Programme Agreement of 30 June 2014 with Bank Polska Kasa Opieki S.A. and Bank Gospodarstwa Krajowego, relating to the Bond Issue Programme for up to PLN 600,000,000, the Company issued bonds with the total value of PLN 400,000,000. The outstanding bonds to be issued under the agreement amount to PLN 200,000,000.

Moreover, the Company has a revolving credit facility in PLN for the maximum amount of PLN 150,000,000. As at 30 September 2015, this amount was not used.

The loan together with issued bonds (totalling PLN 720,360,000), disclosed in the Group's statement of financial position as at 30 September 2015, accounted for 28.37% of its equity and 16.79% of the balance-sheet total.

4 INFORMATION ON MAJOR MATERIAL INVESTMENTS OF THE LW BOGDANKA GROUP

During the third quarter of 2015, the LW BOGDANKA Group continued investment works according to the adopted plan.

On account of investments in the three quarters of 2015, outlays on non-current assets under construction were made in the total amount of PLN 232,221,000 in the Group, including PLN 219,929,000 in the Parent.

Table 4 Selected investment outlays at the LW BOGDANKA Group [in PLN '000]

Specification	Plan 2015	Annex to Plan 2015	Implementation in Q1-Q3 2015	Implementation of the plan [%]	Change to the plan
Acquisition of new licenses*	49,972	44,969	1,755	3.9%	-5,003
Maintenance of machinery	100,090	42,633	36,039	84.5%	-57,457
Other development and replacement projects	99,878	72,504	40,612	56.0%	-27,374
Purchase and assembly of longwall systems	1,750	3,087	3,047	98.7%	1,337
New workings and upgrade of existing ones	309,112	198,196	138,476	69.9%	-110,916
TOTAL CAPEX AT LW BOGDANKA ŁĘCZYŃSKA ENERGETYKA AND OTHER SUBSIDIARIES	560,802	361,389	219,929	60.9%	-199,413
TOTAL CAPEX AT THE LW BOGDANKA GROUP**	19,897	18,981	12,292	64.8%	-916
	580,699	380,370	232,221	61.1%	-200,329

* The plan for 2015 takes into account full payment for use of geological information, which is paid in instalments over a longer period of time. The full value of geological information is equal to PLN 27,988,733. According to the plan, in 2015, a payment will be made that will be due immediately after the contract for use of geological information is signed, i.e. 10% of the value of the contract. The remaining part will be paid in ten yearly instalments, payable starting from the year in which the Company will obtain the mining license.

** The total investment outlays do not include capitalized costs of external financing.

The plan for Q3 2015 included groups of tasks: development investments, including the purchase of machines and equipment, and operational investments, including construction and upgrade of workings in the Bogdanka, Nadrybie, and Stefanów Fields, as well as upgrades and repairs of machines and equipment, etc.

Acquisition of new licenses

The Company is in the process of executing licences for prospecting of the "Ostrów" and "Orzechów" deposit. The OS-1 test hole was drilled in the "Ostrów" area and the geological documentation for this hole was prepared. A project of drilling works was developed for the OS-4 whole which is the last whole provided for in the licence for prospecting this deposit. At the same time, works are carried out with a view to obtaining a licence for mining in these areas, as well as in the K-6 and K-7 areas.

Maintenance of machinery

Purchase and assembly of new machines and equipment to be assembled - by the end of the third quarter, machines and equipment had been purchased and assembled that were worth a total of PLN 21,119,000 including the cost of assembly. The most important machines and equipment are a large heading coal-cutting machine, overhead diesel locomotives, track diesel locomotives, shunter units, ventilation stopping, scraper conveyor, equipment for drawing off and disassembly of gallery lining, a drilling-anchoring carrier, a pump unit assembly, as well as refrigeration units and air coolers.

Purchase of finished goods - the value of the finished goods that were purchased was equal to PLN 9,012,000. The most important finished goods that were purchased were: finished transport equipment (hoists, a track bulldozer, excavated material transportation units), pumps and hydraulic units, electrical equipment (transformer stations, cable testers, a power generator), other finished equipment (fans, equipment

for drilling holes in the plough face, guillotine shears for rods, tools considered as property, plant and equipment, bolting machines, purchase of computer and network equipment with software).

Other development and replacement projects

Central air conditioning for the Bogdanka field – a new agreement with Łęczyńska Energetyka Sp. z o.o. for continued works. Installation of the cooling system on the surface and continued finishing works in the central air conditioning facility in Bogdanka.

The initial investment agreement was terminated for reasons attributable to the contractor, i.e. the Wonam Group. In July 2015, a new agreement for continuation of the works was signed with Łęczyńska Energetyka Sp. z o. o. Łęczyńska Energetyka Sp. z o.o. has the qualifications necessary to complete the investment. The hand-over of the works to the subsidiary will allow LW BOGDANKA to exercise better control over the contractor and agreement execution.

Enlargement of the mining waste neutralization facility in Bogdanka - an annex to the designs is being prepared that increases the surface of Stage I by adding plot of land no. 289/5 that was purchased. Administrative decisions are sought to commence extension works of Stage II part 2.

Acquisition of plots located in the area of the surface of Stage II and Stage III is continued.

Other operational investments: Enlargement of the power supply networks and upgrade of the switching station and the 110/6 kV station were continued. The 110/6 kV main transformer and distribution station in Bogdanka was completed. The repair of a connecting track on km 19 to 24 between Bogdanka and Jaszczów is completed.

Purchase and assembly of longwall systems

The key investment in 2015 was the purchase and installation of plough system 4 for wall no. 1/I/385 which enables 318 m long mining walls to be exploited. In May, the installation was finished and plough system 4 was launched, wall no. 1/I/385 initiated the exploitation of seam 385 in field I.

New workings and upgrade of existing ones

Table 5. The value of investment outlays on the workings in 3Qs of 2015

Workings and works - total	Depreciation method	Length [m]	Value of the coal from the workings [PLN '000]	Full value of the investment outlays [PLN '000]	Value of the investment outlays [PLN '000]
Wall workings	natural	12,734.2	48,628	187,104	138,476
Basic workings	linear	2,087.0			
Reconstructions	linear/natural	1,402.4			

The total length of the gallery workings that were built in the period of nine months of 2015 was equal to 15,531.5 m, including investment workings of 14,821.2 m. Reconstruction of workings was performed in accordance with the adopted schedules. The total expenditures on reconstruction of gallery workings in that period were equal to PLN 29,046,000. The total expenditures on new workings and upgrades of existing ones were equal to PLN 109,430,000.

5 DEVELOPMENT STRATEGY OF THE PARENT, LW BOGDANKA

The information on the Company's existing Strategy for 2013-2020, the extent to which it was implemented, as well as reasons why it needs to be revised were presented in a greater detail in the Directors' Report on Operations for 2014.

The Company is implementing solutions on a case-by-case basis in order to adjust to the current difficult situation. LW BOGDANKA defined and continues to implement its key objective in 2015, which is to "secure cash" through significant savings in costs and investment plans, based on three basic elements:

- optimisation of production plan to approx. 8.5 million tonnes
- significant reduction of "permanent" employment (by 400 people) and outsourced services
- limiting capital expenditure (the LWB Group) to approx. PLN 380 million

LW Bogdanka has consolidated its commercial forces and is working on acquiring new contracts with small and medium customers.

The application of the above assumptions will enable the Company to boost its effectiveness, while at the same time postponing the decisions regarding development projects until the Polish hard coal market stabilises.

In connection with the changes in the shareholding structure of the Company, the Strategy for the upcoming years will be developed in line with the strategy of the new majority shareholder.

6 POSITION OF THE MANAGEMENT BOARD OF LW BOGDANKA REGARDING THE POSSIBILITY OF ACHIEVING PREVIOUSLY PUBLISHED FORECASTS FOR THE YEAR IN QUESTION, IN LIGHT OF THE RESULTS PRESENTED IN THE CONSOLIDATED QUARTERLY REPORT IN RELATION TO THE FORECAST RESULTS

The LW BOGDANKA Group did not publish forecasts for financial results in 2015.

7 INDICATION OF FACTORS WHICH, IN THE ASSESSMENT OF LW BOGDANKA, WILL AFFECT THE RESULTS ACHIEVED BY THE COMPANY AND ITS GROUP IN THE PERSPECTIVE OF AT LEAST THE NEXT QUARTER

A full description of risks connected with the Company's activities is included in the report for the first half of 2015. Below please find the risks which in the opinion of the Company are the most important in the perspective of the next (fourth) quarter.

Factors associated with the economic policy of the State in relation to the hard coal mining sector

The plans of the Ministry of Economy and the Ministry of State Treasury concerning the enterprises operating in the hard coal mining and power sector are an important factor influencing the LW BOGDANKA market position.

The restructuring plan for Kompania Węglowa (KW) as adopted by the government entails great uncertainty as to the volume of power coal production in Poland and, consequently, the possibilities of its market position. Depending on the choice of a restructuring scenario to be executed, this will affect LW BOGDANKA S.A.'s market standing.

The initial government proposal (of 8 January 2015) stipulated that production be discontinued in four financially unprofitable mines, a move aimed at reducing the volume of the coal extracted by Silesian mines. However, under the present restructuring plan for KW, the oversupply of coal on the domestic market is set to continue. The mines initially earmarked for closure will now be transferred, partly through Spółka Restrukturyzacji Kopalń (Mine Restructuring Company), to Węglokoks Kraj and to an investor, potentially one of the energy companies with a majority stake held by the State Treasury. On 19 October 2015, Tauron signed a preliminary agreement for the purchase of KWK Brzeszcze with Spółka Restrukturyzacji Kopalń. KWK Brzeszcze will be purchased by RSG, Tauron's wholly-owned company. The deal is to be completed by 24 December, and the price for the mine is expected to be PLN 1. However, it remains to be seen whether or not Tauron will be obliged to return to the State Treasury the state aid that has already been provided to the mine (approx. PLN 80 million). Scenarios where the restructuring process of Kompania Węglowa S.A. would provide for the involvement of energy companies could prove problematic for the Company, as it would limit significantly the market for LW BOGDANKA

S.A. along with other coal producers and would force the Company to search for buyers in other energy holdings or even beyond the energy sector.

The Polish government's Programme for Silesia involves the establishment of a Polish Enterprise Investment Fund. by Bank Gospodarstwa Krajowego and PIR (Polskie Inwestycje Rozwojowe – Polish Investments for Development). According to the programme, the fund would be established for 15 years. In June 2015, Bank Gospodarstwa Krajowego signed an agreement to set up four funds to be managed by Polskie Inwestycje Rozwojowe (Polish Investments for Development). One of the funds is the aforementioned Polish Enterprise Investment Fund. Initially, the fund will have a budget of PLN 1,500,000,000 to spend. Due to the fact that the European Commission signalled that there is a high risk of initiating proceedings against Poland in connection with unauthorised state aid, this idea was abandoned.

Despite earlier declarations, Nowa Kompania Węglowa was not created by the deadline resulting from arrangements made with the trade unions in January. Nowa Kompania Węglowa was supposed to be created by the end of August 2015. On 30 September the government authorised the transfer of up to 100% of shares in Kompania Węglowa to Towarzystwo Finansowe Silesia. Before that, additional capital was provided to Silesia in the form of shares corresponding to 2% of the share capital of PGNiG, and 1% of the share capital of PZU and PGE, respectively. The total value of the shares currently amounts to over PLN 1.4 billion. These assets are to enhance financial reliability of this entity. The government estimates that the financial capability of Silesia, together with its own funds, reaches PLN 2 billion. In addition to Silesia, which is to take part in the restructuring of mines that belong to Kompania Węglowa and the creation of the so called Nowa Kompania Węglowa, PGE, Energa and PGNiG Termika have also declared their financial contribution. The government believes that this form of engagement on the part of the companies minimises the risk that the European Commission will deem this to be unauthorised state aid for Kompania Węglowa.

The Company shall monitor the process of implementing the restructuring process in KW S.A. and react in line with the available legal measures to possible granting of illegal state aid.

The Management Board of LW BOGDANKA undertakes activity aimed at intervention against unfair market practices applied by entities subsidised by the state (price dumping). The following actions were taken in this respect:

Communication with the Office of Competition and Consumer Protection indicating that some entities address their offer for supply of coal significantly below the costs of production.

- KW S.A. is able to sell below the costs of production because it waits for the "subsidy to coal prices" which should be thus treated as state aid;
- also the deferral of tax arrears or outstanding ZUS contributions are considered state aid, as well as other forms of unsanctioned aid from the state, unless such aid does not meet specified criteria;
- the relevant market, both in terms of geography and product, is the Polish market of fine coals, on which KW S.A. is the leader;

Two letters to the EU Commission concerning illegal subsidising of entities owned by the State Treasury indicating such factors as:

- inconsistency between the state aid and the objective specified in the Council Decision;
- discrepancy between the state aid and the schedule specified in the Council Decision;
- discrepancy between the amount of state aid and the limit agreed in the Council Decision;
- unfounded omission of claiming public levies;
- abuse of dominant position and illegal support to coal sale prices.

Factors associated with the levels of prices for raw materials for power production in Poland and the world

The levels of prices of raw materials for power production, mainly including the prices of power coal and raw materials which constitute an alternative to power coal (crude oil, natural gas, renewable sources) on global markets and therefore on the domestic market, have key significance for the activities conducted by LW BOGDANKA S.A.

Factors associated with a decrease in demand for hard coal from the Polish power industry

There is a limited risk that the Polish power industry may be able to switch to a significant degree to a raw material other than hard coal within the next 10 years. Poland's long-term power production policy up to 2030 assumes that power production based on hard coal will be maintained. The Company takes measures aimed at further long-term securing of its provision of coal for commercial power production, relating to existing and prospective power units within the area of its operations. In order to mitigate the potential risk, the Company addresses its offer also to small and medium customers such as heat plants, cement plants and other industrial plants as well as to retail customers.

A mild winter and a hot summer, when failures of the power plant cooling systems are observed, coupled with a decline in demand for energy led to an increase in the volume of coal remaining on coal mounds at commercial power plants, as well as in the Silesian mines which since the beginning of the year sell fine coal below the production costs. This may translate into a drop in the buyers' demand for coal in the nearest future. The downward trend affecting the demand for fine power coal may continue until 2018, which is certain to impact LWB's coal pricing policy.

This is due to:

- a further drop in coal consumption by industry and heat generation plants resulting from the IED Directive;
- a rise in efficiency of electrical power generation from coal owing to new power units;
- the development of gas co-generation in newly executed investments in heating plants;
- further, albeit slower than in the past, development of RES;
- electrical power imports (Germany, Sweden).

On 21 August 2015, Enea Wytwarzanie Sp. z o.o. terminated a long-term agreement for the supply of power coal concluded on 4 March 2010. In connection with the acquisition of the Company's shares accounting for 64.57% of the total vote by Enea S.A., and with holding the total of 66% of the Company's shares as at 26 October 2015 by the Enea Group, the risk of expiry of the above agreement, as well as possible reduction in supplies to the major client of the Company, was significantly limited.

Factors associated with competition of other power coal producers

On both the Polish market and export markets, LW BOGDANKA S.A. is exposed to price competition from other producers of power coal in Poland (e.g. the mine companies Katowicki Holding Węglowy S.A. and Kompania Węglowa S.A.), as well as from eastern markets (including Russia, Ukraine and Kazakhstan) as well as supplies by other global producers delivered by sea (from the ports of Amsterdam, Rotterdam and Antwerp). In the case of domestic coal companies, significant risk factors associated with competition are:

- consolidation processes in the mining and power industry (vertical and horizontal consolidation within large energy groups) leading to the creation of powerful entities in terms of capital which determine how the domestic power coal market will develop (including announcements of the Ministry of State Treasury regarding the consolidation of existing power groups and acquisition of shares in Nowa Kompania Węglowa by the power groups or their acquisition plans with respect to the mines restructured under SRK S.A.);
- restructuring processes leading to the functional separation of entities responsible for generating energy, selling energy or purchasing coal as part of energy holdings;
- government assistance for hard coal mines in the Silesia region covered by a restructuring programme;
- large volumes in stock held by competitive coal producers and by electricity producers;
- poor financial standing of competitive coal producers (KW S.A., KHW S.A., JSW S.A.); and
- the resulting sales strategy of the Company's competitors that focuses on maintaining a healthy cash flow rather than on profitability.

The difficult financial situation faced by Kompania Węglowa S.A. (with a net loss of PLN 746,700,000 for the first half of 2015), plus the fact that the company is directly or indirectly subsidised by the Polish government, is causing disruptions in the free market as a result of the dumping policy pursued in Poland by the group's parent,

KW S.A. The fact that Kompania Węglowa S.A.'s is offering coal to LW BOGDANKA S.A.'s customers at prices far below the costs of production is putting the Company in a position where its price-based competition capacity is affected. If these risk factors are eliminated, this risk will be reduced significantly, as the LW BOGDANKA S.A.'s coal extraction unit cost is the lowest in the industry.

In the case of coal suppliers from eastern markets, LW BOGDANKA has a significant logistics advantage. In comparison to Polish producers of hard coal, the Company's competitive strengths minimise the risk associated with price competition. Owing to its location in the Lublin Coal Basin, LW BOGDANKA S.A. finds itself among the suppliers offering the lowest costs to key customers, due to the so-called transportation allowance in the south-eastern part of Poland. LW BOGDANKA S.A. is also favoured to a certain extent by its distance from the Upper Silesian Coal Basin, currently responsible for the oversupply of power coal, which until recently secured the demand for LWB's coal and its profit margins.

Another significant risk factor associated with competition are the less favourable quality parameters of the coal compared to the hard coal mined in the Silesia region (its lower calorific value and higher sulphur content), which limits the range of applications of the coal extracted in LW BOGDANKA S.A. to industry and power production and forces the Company's customers to invest in fume desulphurisation installations. Because customers for power coal have technologies which are prepared for burning coal with a particular calorific value and because, as at the date of submitting this Report, all the key customers have fume desulphurisation installations, the risk associated with the less favourable quality parameters of the produced coal is significantly limited.

The specific parameters of the coal produced by the Company provide it with a competitive advantage when supplying coal mainly to commercial power producers, whilst limiting however the possibility of selling to individual buyers due to the restricted capacity to produce thicker coal assortments.

In a sustainable market the risk associated with competition by other power coal producers and the relatively low quality of the coal produced by the Company is remote.

Factors associated with the launch of extraction of new deposits at LW BOGDANKA

A material aspect of the operations conducted by the Group is the necessity to secure future extraction possibilities by providing access to new coal resources.

If the activities leading to obtaining and extraction of new deposits are restricted or discontinued, or if unforeseen formal, legal or technical difficulties occur during the period of preparing the deposit for the extraction, the mining capacity could be limited, which in consequence may shorten the life of the mining plant and/or reduce the assumed level of extraction of hard coal thus decreasing future financial results. At the moment the Company is undertaking activities with the aim of obtaining new licences in order to double its resources and secure a raw material base for extraction until 2050.

Recently we have noted growing interest on the part of domestic (Kompania Węglowa S.A.) and international business entities (PD Co being a part of a capital group established by the Australian Company Prairie Downs Metals) in the coal deposits in the Lublin Coal Basin. Some of those entities have been granted a licence to conduct prospecting and mining works in areas adjacent to the Group's mining area. Consequently, these entities may in the near future apply for mining licences. The Group holds a competitive advantage over prospective rivals in the form of extensive technical infrastructure necessary to conduct its operations, as well as unique know-how related to coal extraction in the mining and geological conditions of the Lublin Coal Basin deposit.

In June 2014 the Group was granted an exploration licence for the K-3 area (south of the present Puchaczów V area) and a prospecting licence for Ostrów (north of the present Puchaczów V area) and Orzechów areas. In September 2014 the Group was refused an exploration licence for K-6 and K-7 areas, where another entity holds a prospecting licence. A petition for another review was filed and also rejected. The Group has taken further steps to obtain mining licences for K-6 and K-7 (filing a lawsuit with administration court), as well as exploration licences for the Ostrów and Orzechów areas.

Technical and technological factors

Extracting coal from underground seams is a complex process which is subject to strict technical and technological requirements. During such operations, various stoppages can occur due to planned and unplanned technical interruptions (e.g. malfunctions). There is a risk associated with the effect of unplanned stoppages caused by serious malfunctions on the volume of production and therefore on the financial results achieved by

the Group in the future. The Group stresses that the risk of stoppages occurring in hard coal extraction operations is minimised by the fact that the mine uses the longwall system. Currently coal is extracted from four operating and one reequipped mining faces, which operate simultaneously. At the target production capacity, however, coal is obtained from four operating and two reequipped mining faces operating simultaneously. Technical and technological mining conditions the planned level of extraction can be maintained if a periodic stoppage occurs at one of the faces by intensifying work on the other. What is more, the extension of the Stefanów Field and the start-up of a second mining shaft (mining and skip shaft 2.1 in Stefanów), which took place in September 2011, further reduced the risk of a technological stoppage by ensuring the continuity of hard coal extraction if one of the shafts breaks down. Irrespective of the factors described above, the mine has a system of underground coal storage reservoirs. Three new reservoirs have been constructed in Stefanów. Raw coal reservoirs are also located on the surface. It should also be pointed out that the Company uses advanced mining equipment and machines in its mining operations. The Company conducts intensive research and development work aimed at increasing the productivity of its operations, introducing solutions with a high degree of technical and technological reliability and increasing the safety of the work environment. These measures will significantly reduce the technical and technological risk.

In this group of risks, there is also the risk of unexpected, usually local, deterioration of the quality of the deposit, for example due to reduction of the thickness of the seam, uncovering waste rock concentrations or waviness of the seam, which will result in deterioration of the coal (an increase in amount of stone mined with the coal). In such a case, in spite of achievement of the full gross output and increased costs thereof (difficulties with mining the stone, greater wear of tools and means of transport, increased costs of processing and storage of stone, etc.), the amount of commercial coal obtained will be reduced, which will influence economic performance. Events of such disruptions in mining seams being laid out took place in November and December 2012 in wall 7/VII/385, and in September 2014 in wall 6/VII/385 in Stefanów. Technological problems related to roof stability assurance may be another source of deterioration in the quality of output and decrease in the efficiency of coal extraction other than those resulting from geological disturbances. This is connected with collapses of roof rocks in extraction walls of considerable size, e.g. a collapse of a few meters reaching above a roof bar of the wall support system and a few meters further, which extend over a considerable length of the wall during a long period of time. For instance, a situation like this occurred in newly-launched wall 1/I/385, which initiated the extraction of seam 385/2 in the north part of the field. In that case, large collapses occurred in the period between May and August 2015.

In response to the market developments in the first half of 2015, manifested in lower sales of coal, and the falling prices of coal, the measures are underway to adapt the Company to the new circumstances. The number of active longwalls and galleries in the drilling processes is being reduced, and attempts are being made to define the mining profitability limits under the market conditions in terms of deposit thickness, sulphur content etc.

Factors associated with the strong position of the trade unions in the Group

Trade unions hold a significant position in the hard coal mining sector and play an important role in determining staff and payroll policy, frequently forcing renegotiations of wage policy through protest actions. As at the day of submitting this Report, six trade union organisations operate at the Group, associating in total approx. 64% of the Group's employees (in LW there are four trade union organisations, associating 69% of the employees). The strong position of the trade unions creates a situation in which there is a risk of the costs of remuneration increasing under negotiated wage agreements in future, which could adversely affect the financial results of the LW BOGDANKA Group. Furthermore, possible protests and/or strikes organised by the trade unions operating in the Group could affect the operating activities conducted by the LW BOGDANKA Group.

Factors associated with retaining and attracting human resources for LW BOGDANKA S.A.

Due to ongoing works on amendments to the Collective Bargaining Agreement which shall consider the change of work organisation and remuneration, there is a risk that an increased number of experienced employees entitled to retirement benefits will leave the Company. The fear of losing retirement benefits upon rules applicable in the previous provisions of the Collective Bargaining Agreement, the anniversary award and other benefits, as well as reluctance to introduce any changes may, in case of unfavourable course of events, lead to numerous retirements in a short period of time by people who have already acquired the so-called industry-specific rights, but would otherwise be willing to continue to work, putting their retirement off until a little later. These are especially

valuable employees because of their knowledge and experience. Their sudden departure in a short period of time could disrupt the generational continuity, which is being rebuilt, and thus the mild gradual staff turnover.

8 PROCEEDINGS PENDING BEFORE COURT, RELEVANT AUTHORITY FOR ARBITRATION PROCEEDINGS OR PUBLIC ADMINISTRATION AUTHORITY

As of the date of preparing the Directors' Report on Operations of the LW BOGDANKA Group for the third quarter of 2015, neither LW BOGDANKA S.A. nor its subsidiaries have been a party in any proceedings pending before a court, the relevant authority for arbitration proceedings or a public administration authority, concerning:

- liabilities or claims of LW BOGDANKA S.A. or a Subsidiary worth at least 10% of LW BOGDANKA S.A.'s equity,
- two or more proceedings concerning liabilities or claims worth a total of at least 10% of LW BOGDANKA S.A.'s equity.

9 RELATED PARTY TRANSACTIONS

During the nine months of 2015, neither the Parent nor its Subsidiaries concluded any significant transactions with related entities which were individually or jointly significant and concluded on terms other than on an arm's length basis. Information about transactions of LW BOGDANKA S.A. with related entities is contained in Note 12 of the Consolidated Quarterly Financial Statements of the LW BOGDANKA Group for the nine months ended on 30 September 2015.

10 INFORMATION WITH RESPECT TO THE COMPANY OR ITS SUBSIDIARY GRANTING SURETIES FOR A CREDIT FACILITY OR LOAN OR GRANTING GUARANTEES

In the period from 1 January 2015 to 30 September 2015, neither LW BOGDANKA S.A. nor its subsidiaries granted sureties for a credit facility or loan, nor did they grant guarantees jointly to a single entity or a subsidiary company of that entity worth the equivalent of at least 10% of the Company's equity.

11 OTHER INFORMATION WHICH, IN THE OPINION OF THE COMPANY'S MANAGEMENT BOARD, IS SIGNIFICANT FOR ASSESSING THE HUMAN RESOURCES, ASSETS, FINANCIAL STANDING AND FINANCIAL RESULT AND CHANGES THEREIN, AS WELL AS INFORMATION WHICH IS SIGNIFICANT FOR ASSESSING THE POSSIBILITY OF THE LW BOGDANKA GROUP SETTLING ITS LIABILITIES

11.1 Court registration of amendments in the Articles of Association of LW Bogdanka S.A. and adoption of uniform text of the Articles of Association

On 12 August 2015, the Management Board of LW Bogdanka announced that based on information corresponding to the current excerpt from the Register of Entrepreneurs – downloaded under Article 4.4aa of the Polish Act on the National Court Register of 20 August 1997 and considering the situation as at 12 August 2015, the Company was informed about the decision of the District Court for Lublin-Wschód in Lublin, with registered seat in Świdnik, VI Commercial Division of the National Court Register, on registering on 11 August 2015 amendments to the Company's Articles of Association.

At the same time, the Management Board of the Company published the uniform text of the Company's Articles of Association adopted by the Management Board of LW Bogdanka S.A. on 26 June 2015. The resolution of the Supervisory Board on adopting the uniform text of the Articles of Association came in force on the date of registering the provisions of the Articles of Association in the National Court Register.

The uniform text of the Company's Articles of Association incorporates amendments which were introduced to the Company's Articles of Association by virtue of Resolutions Nos. 22 to 23 of the Annual General Shareholders Meeting of the Company adopted on 18 June 2015, of which the Company notified in Current Reports Nos. 16/2015 and 17/2015 of 19 June 2015.

The existing provisions of the Company's Articles of Association and the resolved amendments thereto are attached to Current Report No. 23/2015 of 12 August 2015.

This was announced by the Company in Current Report No. 23/2015 of 12 August 2015.

11.2 Increase in the share of Nationale Nederlanden OFE in the total number of votes to exceed 10%

The Management Board of LW Bogdanka announced that on 8 September 2015 it was notified by Nationale Nederlanden Powszechnie Towarzystwo Emerytalne S.A. on increasing the share in the total number of votes in the Company exceeding the level of 10% by Nationale Nederlanden Otwarty Fundusz Emerytalny (formerly ING Otwarty Fundusz Emerytalny).

Prior to the acquisition of shares, the Fund held 3,378,454 (three million three hundred and seventy-eight thousand four hundred and fifty-four) shares in the Company, representing 9.93% of the Company's share capital and was entitled to 3,378,454 (three million three hundred and seventy-eight thousand four hundred and fifty-four) votes at the Company's General Shareholders Meeting, which accounted for 9.93 % of the total vote.

As of 8 September 2015, 3,828,737 (three million eight hundred and twenty-eight thousand seven hundred and thirty-seven) shares are held on the Fund's securities account, which represents 11.26% of the Company's share capital. These shares confer the right to 3,828,737 (three million eight hundred and twenty-eight thousand seven hundred and thirty-seven) votes at the Company's General Shareholders Meeting, which represents 11.26% of the total number of shares.

The notification has been attached to Current Report No. 26/2015 of 9 September 2015.

11.3 Position of the Management Board of LW Bogdanka S.A. regarding the tender offer for the Company's shares

The Management Board of Lubelski Węgiel Bogdanka S.A., under Article 80 of the Act on Public Offering and Conditions for Introduction of Financial Instruments into Organised Trading System as well as on Public Companies of 29 July 2005, attached to Current Report No. 28/2015 of 28 September 2015, presented its position regarding the tender offer for the Company's shares, announced on 14 September 2015 by ENEA S.A. with registered office in Poznań. As a result of the tender offer, the Acquirer intends to obtain up to 64.57% of the total number of votes at the General Shareholders Meeting of the Company, which corresponds with the acquisition of 21,962,189 Shares. As a result of the offer, the Acquirer intends to obtain together with its subsidiary (ENEA Wytwarzanie Sp. z o.o.) 22,448,969 shares entitling to 66% of the total number of votes at the General Shareholders Meeting of the Company.

The Acquirer intends to acquire the shares only if at the end of subscription period the subscriptions made cover at least 16,520,016 Shares entitling to perform 48.57% of the total number of votes at the General Shareholders Meeting of the Company, and, together with shares held currently by ENEA Wytwarzanie sp. z o.o., entitling to perform 50.00% of the total number of votes plus 1 vote at the General Shareholders Meeting of the Company.

This was announced by the Company in Current Report No. 28/2015 of 28 September 2015.

Opinion of KPMG Spółka z ograniczoną odpowiedzialnością sp. k. (full text of the KPMG's opinion has been attached to Current Report No. 28/2015):

"Considering the circumstances of the Transaction, reservations and restrictions indicated herein, as well as analyses performed by KPMG, including the prepared Company's Fair Value Estimate, it be can assumed that the acquisition price for the Company shares proposed in the Tender Offer, in the amount of PLN 67.39 per share, fits in the KPMG's range of Fair Value for the Company shares being the subject matter of the Tender Offer as calculated per one share, excluding the right to receive dividend granted on 17 September 2015, in the amount of PLN 3.50 per share (i.e. as calculated per one share without the right to dividend for 2014)."

Opinion of the Management Board (full text of the Management Board's opinion has been attached to Current Report No. 28/2015):

"Having read the Opinion drawn up by the Advisor, and based on the premises presented above, the Company's Management Board was of the opinion that the price suggested in the Tender Offer corresponds to the requirements of the minimum price specified in Article 79 of the Act on Public Offering, and corresponds to the fair value of the Company."

11.4 Position of trade unions operating at LW Bogdanka S.A. regarding the tender offer for the Company's shares

The Management Board of LW BOGDANKA S.A., further to Current Report No. 28/2015 of 28 September 2015, presents the position of the trade unions operating at LW Bogdanka S.A. regarding the tender offer for the Company's shares obtained on 12 October 2015.

This was announced by the Company in Current Report No. 29/2015 of 12 October 2015.

Opinion of trade unions operating at LW Bogdanka (full text of the opinion of trade unions has been attached to Current Report No. 28/2015):

"We hope that an entry to the structures of a big power entity, namely Enea S.A., which is also the sole shareholder of the Koźienice Power Plant, will contribute to enhancing the security of Bogdanka and its crew. We find the above objectives superior, and we are definitely in favour of entering into the structures of Enea S.A. Being within the structures of the Enea Group we increase the development opportunities of the entire group, including those of Bogdanka."

11.5 Increase in the total number of votes by at least 2% by Nationale Nederlanden OFE

The Management Board of LW Bogdanka announced that on 12 October 2015 it was informed by Nationale Nederlanden Powszechnie Towarzystwo Emerytalne S.A. on increasing the share in the total number of votes in the Company by at least 2% by Nationale Nederlanden Otwarty Fundusz Emerytalny (formerly ING Otwarty Fundusz Emerytalny).

Prior to the acquisition of shares, the Fund held 4,479,114 (four million four hundred and seventy-nine thousand one hundred and fourteen) shares in the Company, representing 13.17% of the Company's share capital and was entitled to 4,479,114 (four million four hundred and seventy-nine thousand one hundred and fourteen) votes at the Company's General Shareholders Meeting, which accounted for 13.17 % of the total vote.

As of 9 October 2015, 4,793,441 (four million seven hundred and ninety-three thousand four hundred and forty-one) shares are held on the Fund's securities account, which represents 14.09% of the Company's share capital. These shares confer the right to 4,793,441 (four million seven hundred and ninety-three thousand four hundred and forty-one) votes at the Company's General Shareholders Meeting, which represents 14.09% of the total vote.

This was announced by the Company in Current Report No. 30/2015 of 12 October 2015.

11.6 Significant agreements

Enea Wytwarzanie Sp. z o.o. terminates the Long-Term agreement for the Supply of Power Coal, concluded on 4 March 2010

On 21 August 2015, the Management Board of LW Bogdanka with registered office in Bogdanka announced that it received from Enea Trading Sp. z o.o., acting on behalf of Enea Wytwarzanie Sp. z o.o. with registered office in Swierże Górne, 26-900 Koźienice, a notice of termination of the Long-Term Agreement for the Supply of Power Coal concluded on 4 March 2010 by and between Elektrownia Koźienice S.A. (currently Enea Wytwarzanie Sp. z o.o.) and the Company; the conclusion was announced in Current Report No. 5/2010 of 5 March 2010, and later reports provided updated information thereon.

The subject matter of the Agreement are supplies of power coal to the ENEA Wytwarzanie S.A. power plant in Koźienice between 4 March 2010 and 31 December 2025.

The Agreement has been terminated by Enea Wytwarzanie on the basis of Article 13.1 of the Agreement, i.e. as a result of the Company and ENEA Wytwarzanie failing to agree, by way of negotiations, on the price for the next calendar year (2016) in three first successive negotiation rounds out of four provided for in the Agreement.

As a result of Enea Wytwarzanie's notice of termination, the Agreement will be terminated as of 1 January 2018.

Since the Agreement has been terminated, the prices of power coal supplies in 2016 and 2017 will be set according to a pricing formula provided for in the Agreement, based on prices of supplies on the domestic and international markets, as well as on the industrial production price index.

"The Company's Management Board hereby announces that during the notice period, in the years 2016 and 2017, the volumes of supplies of power coal for the needs of the ENEA Wytwarzanie Sp. z o.o. power plant shall not change as compared to volumes contracted for these years in the Agreement prior to the termination."

As a result of the above, the value of the entire Agreement currently amounts to PLN 5,065 million net.

This was announced by the Company in Current Report No. 24/2015 of 21 August 2015.

Concluding an Annex to the significant agreement with PGNIG Termika S.A.

The Management Board of LW Bogdanka S.A. with registered office in Bogdanka announced that on 31 August 2015 it concluded an Annex to the Agreement on Sale/Purchase of Power Coal with PGNIG TERMIKA S.A. with registered office in Warsaw, 03-216 Warsaw ul. Modlińska 15. The Agreement concerns coal supplies for the purposes of, among others, Żerań Heat and Power Station and Siekierki Heat and Power Station, both owned by PGNIG TERMIKA S.A.

The Agreement was referred to in Current Reports Nos. 13/2012 of 23 April 2012, 13/2013 of 29 April 2013, 14/2013 of 28 May 2013, 28/2013 of 5 July 2013, 6/2014 of 24 April 2014, 14/2014 of 31 July 2014, 17/2014 of 25 September 2014, 19/2014 of 14 November 2014, and 18/2015 of 22 June 2015.

The Annex regarded the extension of the term of the Agreement until 31 December 2016 (previously 31 December 2015), and the conditions of supplies in 2016.

As a result of concluding the Annex, the value of the entire Agreement until 31 December 2016 amounts currently to PLN 977.3 million (an increase of 21.4% compared to Current Report No. 18/2015 of 22 June 2015).

Other terms and conditions of the Agreement remain unchanged and do not differ from the market standards applied in such agreements.

The criterion for deeming the Agreement significant is that it exceeds 10% of the value of the Company's equity.

This was announced by the Company in Current Report No. 25/2015 of 31 August 2015.

12 EMPLOYMENT

Employment at the Group as at 30 September 2014 and 2015, and 30 June 2015 is presented in the table below:

Table 25 Employment at the LW BOGDANKA Group as at 30 September 2014 and 2015, and 30 June 2015

Employment	30 Sep. 2015	30 Jun. 2015	30 Sep. 2014	Dynamics Q3 2015/ Q3 2014 [%]	Dynamics Q3 2015/ Q2 2015 [%]
Total workers	3,943	4,077	4,266	-7.6 %	-3.3 %
Underground workers	2,983	3,109	3,303	-9.7 %	-4.1 %
Surface workers	960	968	963	-0.3 %	-0.8 %
Full-time employees underground	315	319	359	-12.3 %	-1.3 %
Full-time employees on the surface	315	324	310	1.6 %	- 2.8 %
Total underground	3,298	3,428	3,662	-9.9 %	-3.8 %
Total LW Bogdanka	4,573	4,720	4,935	-7.3 %	-3.1 %
Total RG Bogdanka	334	383	484	-31.0 %	-12.8 %

Employment	30 Sep. 2015	30 Jun. 2015	30 Sep. 2014	Dynamics Q3 2015/ Q3 2014 [%]	Dynamics Q3 2015/ Q2 2015 [%]
Total MR Bogdanka	224	215	148	51.4 %	4.2 %
Total EkoTrans Bogdanka	2	2	2	0.0 %	0.0 %
Total Łęczyńska Energetyka	105	107	115	-8.7 %	-1.9 %
Total LWB Group staff	5,238	5,427	5,684	-7.8 %	-3.5 %

In the third quarter of 2015, employment at the Group decreased by 189 people, i.e. by 3.5% compared to the level of employment at the end of the second quarter of 2015. Employment in the third quarter of 2015 decreased by 446 people, i.e. by 7.8% compared to the level of employment at the end of the third quarter of 2014. The decrease in employment results from the necessity to adjust the manpower to the current production needs of the Company.

LW BOGDANKA S.A. employed 16 new employees in the first quarter of 2015, 4 employees in the second quarter, and 6 employees in the third quarter that is 26 people in total. By way of contrast, 65 people in the first quarter of 2015, 165 people in the second quarter, and 153 people in the third quarter left the Company. In total, in the three quarters of 2015, 383 employees left the Company (mainly retirements).

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Signatures of Members of the Management Board

Name and surname	Position	Date	Signature
Zbigniew Stopa	President of the Management Board	28 October 2015	
Roger de Bazelaire	Vice-President of the Management Board, Economic and Financial Affairs	28 October 2015	
Waldemar Bernaciak	Vice-President of the Management Board, Trade and Logistics	28 October 2015	
Krzysztof Szlaga	Vice-President of the Management Board, Procurement and Investments	28 October 2015	

Bogdanka, 28 October 2015